Austria	Sch 15	Indonesia	Rp 1650	Philippines	Pes 25
Bahrain	Din 0.500	Italy	L 1100	Portugal	Esc 60
Belgium	Fr 35	Japan	Y 550	S. Arabia	Rls 5.50
Canada	C$2.50	Jordan	Fils 500	Singapore	S$ 3.80
Denmark	Dkr 7.00	Kuwait	Fils 450	Spain	Pta 85
Egypt	P.90	Lebanon	£L 6.00	Sweden	Skr 6.50
Finland	Fmk 5.00	Luxembourg	LFr 35	Switzerland	SwFr 2
France	FFr 5.00	Malaysia	Rm 3.85	Tunisia	Din 0.600
Germany	DM 2.00	Morocco	Dh 6.00	Turkey	L 130
Greece	Dr 50	Netherlands	Fl 2.25	U.A.E.	Dh 6.00
India	Rup 15	Norway	Nkr 6.00	U.S.A.	$1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 28,920 Monday November 8 1982 D 8523 B

Viscount Davignon, Europe's man of steel, Page 16

NEWS SUMMARY

GENERAL

Iran in further advance into Iraq

Renewed Iranian attacks against Iraqi forces have won a significant victory, say Western correspondents visiting the Gulf war front line.

The Iraqi news agency confirmed that the new thrusts had penetrated three miles (5 km) into Iraqi territory near the city of Amarah.

The Iranians claim to have killed or wounded 4,000 Iraqis and taken more than 1,500 prisoners.

Yesterday Iran said it shot down three Iraqi jets, and Iraq claimed to have destroyed one Iranian aircraft. Page 2

Spadolini problems

Italian Premier Giovanni Spadolini returns to Rome from the U.S. today to find divisions in his second five-party coalition, which has been in office three months. Page 3

Upper Volta coup

The Upper Volta Government headed by Colonel Saye Zerbo was toppled in a pre-dawn coup by a group of non-commissioned officers. Zerbo took power in a bloodless coup in November 1980. Page 4

FT man held

Financial Times correspondent Rick Wells is believed to be detained by security police in Somalia, which he is visiting as a guest of the Government. He has not been seen since being summoned to security headquarters on Saturday.

Brezhnev message

Soviet President Leonid Brezhnev said after a Red Square military parade that the Soviet Union would deal a "crushing retaliatory strike" to any aggressor. Editorial comment, Page 16

Phalangist go-ahead

Israeli Chief of Staff General Rafael Eitan ordered Phalangist forces to resume their operations in Palestinian refugee camps in Beirut after local commanders had halted them, it was revealed in the Israeli inquiry into the massacres. Page 18

Yesterday a *Palestinian was* killed and four wounded in an unsuccessful attack on an Israeli army patrol.

Carrillo resigns

Santiago Carrillo, 67, leader of the Spanish Communist Party for more than 20 years, resigned after an inquest into its poor showing in the October 28 elections. Page 3

Aeroflot hijacking

Three armed Russians of German descent hijacked a Soviet Aeroflot airliner over Odessa and forced it to fly to the Turkish Black Sea port of Sinop, where they surrendered and asked for political asylum.

Adventurers rescued

Thirteen Britons and a dog, who left Falmouth last Tuesday on a round-the-world cruise, were rescued from their sinking yacht off north-west Spain by a Soviet cargo vessel.

Emigration penalty

Romanians seeking to emigrate to the West will have to reimburse, in hard currency, the cost of their education and training, according to a new decree. Page 3

Doctors sick

More than 50 doctors and *staff* were treated for food poisoning in the Policlinico Umberto, one of Rome's biggest hospitals, after eating meatballs and pasta in the hospital canteen.

Briefly . . .

Motor racing: Alain Prost (France, Renault) won the Australian Grand Prix in Melbourne.

South Australia: Labor Party captured control from the Liberals in state elections. *Page 2*

BUSINESS

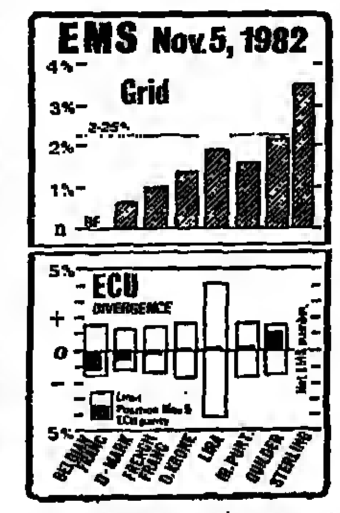
Airline losses of $2.1bn forecast

● WORLD Airlines, which expect 1982 losses to reach $1.87bn, including interest payments, forecast losses of $2.1bn in 1983. Page 18

● G. HEILEMAN, the fourth-largest brewer in the U.S., is to offer up to $150m for control of Pabst, the country's fifth-largest brewer. In June the Justice Department blocked a Heileman bid for Pabst. Page 20

● BRITISH BANKS are believed to be close to agreement with Argentina on some $440m of unpaid debt. Page 19

● THE DUTCH central bank discount rate cut of ½ point to 5½ per cent did not surprise the foreign exchange market on Friday, and the guilder remained firm at the top of the European Monetary System.



There were no signs of strain within the system, although the Belgian franc continued to weaken and the French franc was slightly firmer.

All major European currencies were weak against the dollar, with the lira and French franc touching record lows, and the D-Mark falling to its lowest level for six years.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● WEST GERMAN Finance Minister Gerhard Stoltenberg said the Government would reduce taxes by up to DM 4bn ($1.55bn) a year from 1984.

● *SAUDI ARABIA is to build three* new base-stock oil refineries with a total *annual capacity of nearly* 7.5m barrels.

● *BOLIVIA* has set a fixed exchange rate of 200 pesos to the U.S. dollar, prohibited imports of non-essential goods, and has raised wages and prices for fuel, transport, and basic food items. It will seek renegotiation of $3.8bn *foreign* debts. Page 2

● TURKEY's economic progress, but also IMF concern over rapid monetary expansion, are highlighted in today's Statistical Trends feature. Page 5

● *AIRBUS INDUSTRIE* is contesting Thai Airways' cancellation of orders for two aircraft, and is holding a deposit of $3.5m. Page 4

● BRAVO, the world's biggest oil production platform, which cost $1.9bn, has been brought on stream in the UK-Norwegian Statfjord Field. It is due to handle 180,000 barrels a day by early 1984. Page 9

● BRITISH GAS is to freeze the contract price of gas sold to industry for another nine months. Page 18

● U.K. GOVERNMENT is likely to cut intervention in the British film industry, probably reducing the box office levy used to support film-*making.*

Paris plans more measures to stem flow of imports

BY DAVID HOUSEGO IN PARIS

The French Government, which is under attack from the European Commission in Brussels for recent moves aimed at slowing down the flow of imports into France, *is planning new measures to limit the size of the trade* deficit.

French officials here say they are considering measures to put a stop to unfair trading practices, such as diverting goods through third markets to escape import formalities, or counterfeiting. The French Government is strongly critical of the failure of the Commission so far to act on its proposals made last autumn for joint Community action against disruptive surges of imports from low-cost producers, particularly in the Far East.

New measures would also be taken under existing French regulations "to protect the consumer and the French language." These were the justification for recent measures now likely to be challenged in the European Court requiring customs documents to be in French. Officials say that technical instructions explaining how to use equipment also need to be in French to protect the consumer.

Officials say that the new regulations requiring goods sold in France to bear country of origin labels – and which have already been challenged by the Commission – will be formally issued within 15 days.

Far from being defensive about the measures – aimed at improving the competitiveness of French industry and exports – officials maintain they are legal and in no way protectionist. But to strengthen its armoury against international accusations on this score the Government has commissioned internal studies on import curbs used by its trading partners.

A three-page document on "protectionist practices in Britain" lists amongst other offences: the limited number of customs posts in Britain, country-of-origin labels on certain textiles, shoes and household electrical goods at the retail stage, and *privileged links* between British suppliers and public purchasers.

Officials have also prepared background papers on import restric*tions amongst different* Community members and on "the American *neo-protectionist arsenal.*"

In line with this more aggressive, commerical policy – which emerged following the publication of September trade figures pointing to a FFr 100bn ($14bn) deficit for 1982 – Mme Catherine Lalumière, Minister for Consumption, said at the end of last week that "very severe measures" would be taken against other Japanese products apart from video recorders, which must now be processed through customs at Poitiers.

M Michel Jobert, the French Trade Minister, recently urged the Commission in strong language to negotiate with Japan for voluntary restraint agreements on television tubes and numerically controlled machine tools. The implication was that France would take unilateral action if the Commission did not act. An important aspect of current French policy is to push the Community into tougher joint action over trade.

Also at the weekend, newspapers here reported that the French intelligence services had been told by the Government to purchase French computers instead of foreign ones.

Continued on Page 18

Britain to cut employers' social security payments

BY MAX WILKINSON IN LONDON

SIR GEOFFREY HOWE, *the* British Chancellor of the Exchequer, will today announce a "compromise" cut of 1 percentage point in *the employers' National Insurance* surcharge for social security.

His announcement will be made against a background of mounting anxiety *among ministers* at prospects for the recovery of the UK *economy.*

The cut, which includes the temporary ½ percentage point reduction from August to next March, will bring the surcharge to 1½ per cent of the payroll. It will reduce industry's costs by about *£700m* ($1.2bn) next year. But it falls far short of *what industry itself* has been asking for and what some of *the Chancellor's advisers would* have liked.

Sir Geoffrey has *resisted* calls *for* immediate tax cuts aimed to put some bounce back into the economy this year. He will disappoint some colleagues by not announcing a ma*jor package of special measures to* help the unemployed.

Some *Conservatives hoped* that the substantial undershoot of the *target for public sector borrowing* this year would be an excuse for tax *cuts this autumn.*

Instead, Sir Geoffrey will try to concentrate attention on *the* promise of better things to come in his *budget next March, almost certain*ly his last before the general elec*tion.*

For the first time, the Chancel*lor's* autumn statement on public spending plans and economic prospects *will include an estimate of his* room for manoeuvre for any tax *giveaway in the budget.*

This is likely to show the possibility of a "fiscal adjustment" of £2bn to £3bn in March based on a continuation of this year's trends. This will go some way towards appeasing those members of Parliament who would like a "green" budget to be announced in *November*, which could then be *the subject for* general discussion.

However, the *form* of the Treasury's calculations today is likely to leave open some considerable ambiguities about the room for manoeuvre in March.

The cut in the surcharge, which follows a ½ point cut in March, will be effective from next spring. It represents a compromise between those, including the Confederation of British Industry, the employers' body, which wanted a complete abolition of the surcharge, and those, including some backbench Conservatives, who wanted the Chancellor to retain maximum flexibility *for* personal tax cuts in the spring.

Personal tax cuts would probably earn the Government most popularity and would have the most immediate effect in increasing demand in the economy. Against this, Treasu-

Continued on Page 18

British Gas freezes price to *industry, Page 18*

UK *must* use reflation to end recession warns study group

BY OUR ECONOMICS CORRESPONDENT

THE BRITISH Government must take some reflationary measures in the March budget if the UK economy is *to* pull itself out of recession next year, according to a study published by team of economics experts today.

The London Business Schools Centre for Economics Forecasting which has generally supported the Government's monetary policies, has become considerably more gloomy about the prospects for economic revival since its last forecast in June.

Then it thought UK output would increase by an average of about 2½ per cent per year during the next two years. But it has now revised its forecast downwards to only 2 per cent per year.

This is the latest of a series of progressively more pessimistic forecasts for output which the centre has issued since 1979, when it was expecting growth of 3 per cent for 1983.

In today's forecast the centre warns that even 2 per cent growth for next year will depend upon the Government taking reflationary measures.

It says the tightening of monetary policy in 1981 and the involutary tightening of fiscal policy after the Civil Service dispute contributed to the slowing down of economic activity this summer.

It says the policies adopted by the major governments will be "critically important" to the growth prospects for the world economy for next year.

In the UK it assumes the Chancellor will be able to cut the standard rate of income tax by 2p to 28p in the pound as well as consolidating the employers' National Insurance surcharge at 2 per cent.

*It believes these cuts could be fi*nanced by higher than expected oil revenues *and* would be *within* the broad outlines of the Government's *financial strategy.*

The study hints that concessions might go further than this. The Government is wrong to suggest that it has no effective choice between policies for reducing inflation and policies for cutting unemployment, it states.

If the Government was prepared to expect a somewhat higher inflation rate more jobs could be provided in the shorter term, the report says. But it admits that over a longer time scale lower inflation does have an important effect in improving employment prospects.

The centre remains cautious in its forecast for the inflation rate, which it believes will fall to an annual average of 6.8 per cent next year before rising to nearly 10 per cent in 1986.

It has also become more pessimistic about the prospects for unemployment. It is now forecasting that adult unemployment will rise to 3.2m next year from 2.9m this year and will stay at 3.2m until the end of 1985. And it believes that even in 1986 unemployment will be higher than this year.

Details, Page 8

Turkish voters look certain to back generals

By Metin Munir in Ankara

INITIAL RESULTS in the Turkish referendum yesterday indicated that the vote would be overwhelmingly in favour of the new constitution written by the ruling generals.

With 15 per cent of votes drawn from across the country so far counted, the ballot was 91.7 per cent for the constitution. Political observers in Ankara did not expect this ratio to change dramatically.

The vote in selected districts of main cities like Ankara and Istanbul, where the pre-referendum opposition to the constitution seemed to be most vehement, was 70 per cent in favour.

In the countryside, where 60 per cent of the population of 45m live – and where the fate of the referendum will be decided – the vote was more than 90 per cent.

***The country has been under* martial law since September 1980 when the military seized power against a background of *rampant political terror* and severe economic problems.**

***If the constitution is accepted,* General Kenan Evren, the head *of state since the bloodless coup* and chief of staff, will become *president* for seven years and enjoy widespread powers backed up *by his colleagues in the ruling* National Security Council, who *will now* form a "presidential council."**

Until general elections are held – at latest in the spring of 1984 – the army will continue to run the country, wielding all legislative and executive power through the National Security *Council.*

The generals' constitution establishes an authoritarian presidential system, under which basic rights and freedoms are curtailed and the civilian cabinet and parliament are relegated to the background.

The generals dissolved all political parties and proposed under the new constitution that some 100 political leaders – including ex-premiers Suleyman Demirel and Bulent Ecevit – be banned from politics for 10 years.

***The military did not allow oth*er candidates to make a bid for *the presidency and campaigning* against the constitution was not permitted.**

Statistical trends, Page 5

Central banks seek means of early warning

BY STEWART FLEMING IN FRANKFURT

CENTRAL bankers are examining how they can improve the flow of information between leading commercial banks and themselves to try to have an earlier warning of strains in the world's financial markets.

This was announced by Dr Fritz Leutwiler, president of the Bank for International Settlements (BIS), the central bankers' bank in Basle.

He said one of *the difficulties* facing the central banks was that *there was no international* organisation of commercial banks with which they *could deal.*

In this context, he welcomed the spirit behind the *recent announce*ment in New York that major inter*national banks* were *seeking* to set up a centre for the exchange of in*formation* between the banks about the financial situation of deeply in*debted developing* countries.

In an interview with the Finan*cial* Times Dr Leutwiler pointed out that he would like not only more in*formation* about country debtors but also better information about how the financial markets were assessing individual banks and different financial centres. "We would gain information which we do not get from statistics," he said, "and the banks too would benefit in exchange."

One of the aspects of the financial crisis in Mexico which had deeply disturbed both private and commercial bankers was the speed with which it surfaced.

One lesson that had been drawn from this was that statistical data, because it could quickly become out of *date*, was an inadequate basis on which to judge the severity of an emerging problem.

"Information which is six or seven *months* old is *good for the histo*rian but it's no good for me," Dr Leutwiler *said.* "Central banks need more information from the front line."

Commenting on the role which the BIS has taken in lending emergency funds to both Mexico and Hungary this year, Dr Leutwiler said that to keep the international banking system healthy "the first line of defence is to keep the countries afloat."

He stressed that he saw the BIS as a "first aid" post for countries in difficulty. "It is not my intention to make the BIS a lender of last resort," he said. "The International Monetary Fund (IMF) should occupy that role." The BIS lent $1.85bn to Mexico "because there was nobody else to do it."

Dr Leutwiler emphasised that BIS facilities were short term – "12 months is on the high side." They were provided, he said, "only in close co-operation and co-ordination with the IMF. This is *absolutely* essential. It is a prerequisite for a BIS credit. *Without* agreement with the IMF I do not see the possibility for central bank *involvement.*"

International capital markets, Page 19

Mexico urged to form Opec links

BY WILLIAM CHISLETT IN MEXICO CITY

THE NEW Government of Mexico, the world's fourth largest oil producer, *is likely to seek some kind of* relationship with the Organisation of Petroleum Exporting Countries (Opec) in order to try to maintain its price levels and stabilise the present uncertain oil market.

Mexico is not a member of Opec and has always zealously guarded its autonomous oil policy, mainly for political reasons. The outgoing government of President Jose Lopez Portillo rejected a formal invitation in May to attend Opec meetings with observer status.

The President-elect, Sr Miguel de la Madrid, who will take office on December 1, is now being advised to seek links with Opec.

According to a confidential docu*ment on Mexico's future oil policy*, drawn up by a team of energy experts *advising* Sr de la *Madrid*, Mexico should "leave open the possibility of joining Opec and end its unilateral policy of isolation, which is incompatible with its position as an important world producer and exporter."

The document does not spell out whether *Mexico* should be a full member of Opec or have observer status.

One of the authors of the document *said the second option* was the most likely. But, he said, Mexi*co* could try to establish some kind of special ties with individual members of Opec.

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CONTENTS

Financial Times Monday November 8 1982

Bolivia to seek debt rescheduling

By Mary Helen Spooner in La Paz

BOLIVIA'S month-old civilian government has issued its first economic package, establishing a fixed exchange rate of 200 pesos to the U.S. dollar, prohibiting all imports of non-essential goods and raising wages and pricea for fuel, transport and basic food items.

In a speech before Congress, President Hernan Siles Zuazo announced that Bolivia would seek a further renegotiation of its $3.8bn foreign debt.

Bolivia has missed two payments, totalling more than $50m, to a group of foreign commercial banks. The payments were part of an agreement to reschedule about $450m in debts from April last year until March 1983.

Foreign banking sources in La Paz report that Bolivia did deliver at least a portion of the payments due in September and October. Bolivia is thought to be able to meet its foreign debt obligations once Argentina resumes its payments for Bolivian natural gas, which have been in arrears since April this year.

The country's powerful labour federation, the Central Obrero Bolivian (COB), has vociferously opposed economic austerity measures aimed at placating Bolivia's foreign creditors. Sr Oscar Saojlnes, president of the COB, said that some of the new economic measures were positive but criticised the 30 per cent increase in the minimum wage as insufficient.

Domestic electricity prices are to be increased by 150 per cent, petrol about 300 per cent, and air, rail and bus fares from 65 to 150 per cent.

Jimmy Burns reports on the mood of post-war realism in Buenos Aires

Argentines take their UN win calmly

ARGENTINE popular reaction to the results to Thursday's Falklands vote at the UN has been notable for its tameness. There was no flag-waving in the streets, no mass gatherings in May Square. Even the state-owned television service recorded the news with surprising objectivity. All a very different scene to some six months ago. Then, the 90-12 vote in favour of an Argentine sponsored resolution would have been labelled by a well-oiled propaganda machine as a "major diplomatic virtory."

There was understandable relief that British diplomatic counterlobbying had not proved as sucessful as it had at one point threatened to be, but this was counterbalanced by the realisation that what happened at the UN waa really only a small step down the road to Argentine sovereignty over the Falklands Islands.

The diplomatic correspondent of the mass circulation newspaper Clarin, for instance, noted the *comments* made by British Foreign Office officials that Britain had not for one minute regarded the UN resolution as binding. Moreover, he pointed out the widely held view—shared privately by both British and Argentine diplomats alike—that negotiations on the future of the islands would become a probability only if and when Argentina's current military rulers handed power over to a democratically elected civiliao government.

Argentine diplomats also believe that any serious progress in talks with Britain must await the political demise of Mrs Thatcher.

Some local commentators argued that the approval of Argentina's motion, and the international attention given to it, proved that the Malvinas cause had not been forgotten aimply because Argentina had been militarily defeated. Emotions were further stirred by the coverage given to a ceremony held in one of the country's major military

> ❛ The armed forces are today slowly being identified as the main culprits of the worst political and economic crisis in the nation's history ❜

barracks in honour of the fallen, and the implicit suggestion that hundreds of conscripts had not died in vain.

But other commentators noted that, for all the diplomatic coming and going, Britain and Argentina were back to the atage they were at in 1965 when UN *resolution* 2065 urged both sides to initiate talks on the future of the islands. The clear implication of such a view is that the Falklands war was little else than a terrible waste of lives.

Few Argentins, however, considered that fact that some British officials might view even such a "deja vue" as a major under estimation of British domestic feeling in the aftermath of the war.

The lunatic fringe within the Argentine armed forces would no doubt like to use the results at the UN to pursue the kind of military brinkmanship that led to the invasion of the Falklands on April 2. British reluctance to negotiate in open defiance of the wishes of the world's nations would be justification enough, they believe, to aend Skyhawks and Mirages hurtling towards Port Stanley again.

The bulk of Argentina's military officers, including the present rulers, are however dissuaded from such action by a more soher assessment of the international and domestic context in which the Falklands issue is now being tackled. The resolution does not commit Argentina to a formal cessation of hostilities. However, it is generally rerognised in Buenos Aires that Argentina would be hard-pressed to find international support for a fresh military adventure.

Latin American countries for a start would be extremely unlikely to extend their solidarity that far, and an alliance with the Soviet Union would be resisted by many conservative military officers.

Behind the scenes, all three branches of the armed forces are reliably reported to be bent on a major re-equipment programme to replace what was lost during the war with Britain. In what one western diplomat called the "Buenos Aires arms bazaar," arms traders from all over the world bave been queuing up to interest Argentine military officers in their latest wares.

Local strategists argue that Argentine fighting capability must be brought up to scratch so as to pose a constant threat to the British presence on the islands—and by implication to speed up negotiations.

Another incentive is the ever-present fear that neighbouring Chile might take advantage of Argentina's post-war military weakness to cross the border and settle its territorial claims in the Beagle Channel.

Argentine military thinking is nothing if not irrational at times, and no one here can predict with aoy certainty that the lunatic fringe might not at some future date take hold of decision-making again. The temptation to harass British forces on the islands if nothing

> ❛ Some think that for all the diplomatic coming and going, Britain and Argentina are back to the stage they were at in 1965 ❜

else will grow with the approach of symbolic dates like the 150th anniversary of the first British occupation of the islands in January.

In the meantime, the overriding consideration for the bulk of Argentine military officers—and indeed of the great majority of Argentines—is less the Falkland issue than the political and social pressures building up around the military regime.

The armed forces, which on April 2 were temporarily excused as the "courageous defenders" of Argentine nationhood are today being slowly identified as the main culprits of the worst political and ecooomic crisis in the Nation's history.

Arguably this was already occurring before April 2 and didn't stop thousands of Argentines from expressing their jubilation in May Square immediately afterwards.

But the collective sense of bitterness and disillusionment has reached new depths in the aftermath of defeat.

Until a few months ago, Argentine diplomats would insist that it was possible to keep Argentina's international relations quite separate from her domestic politics. Yet for all their public self-congratulation for Thursday's results at the UN—and particularly the undoubted coup of the U.S. turnaround—Argentines have been hard put to explain the attitude of Italy, traditionally their most reliable ally within the EEC.

Italy's decision to abstain at the UN rather than vote for the motion appeared to respond to the public outcry that followed the disclosure this week that over 300 Italian nationals had disappeared in Argentina following the 1976 military coup.

Thus on the very day that delegates prepared to vote at the UN, Italian Prime Minister Sig Giovanni Spadolini told a U.S. sponsored conference on free elections in Washington that his government could not ignore the discovery of hundreds of unmarked graves in Argentina—presumably of people killed by the security forces—and that it had expressed its "strong disapproval" of the military regime.

The Buenos Aires Herald managed poignantly to summarise the dilemma faced by Argentina's military rulers in the postwar period. Alongside the headline "Resolution Passed at UN by 90-12" there was a large photograph of a baby with the caption: "Three-month-old Clara Anahi Mariani, one of many children of Italian origin missing in Argentina, is shown here in a photo released by her relatives who live in Milan. Baby Clara disappeared on November 24, 1976, after her mother and father were killed by Argentine police in La Plata (Argentina).

Deng moves to oust opponents from key military commands

BY TONY WALKER IN PEKING

EFFORTS by Deng Xiaoping, the Chinese leader, to strengthen his faction'a control over the more than 3m strong people's Liberation Army (PLA), is leading to a spate of forced retirements of aging military commanders as part of an extensive reorganisation of senior ranks.

Deng Xiaoping: 'spring-cleaning'

In the past week it bas been revealed that new commanders have been appointed to three of China's 11 military regions. Dozens of other cbanges are pending in the PLA top command.

Deng appears to bave wasted no time since the 12th congress of the Chinese Communist Party in September in his efforts to firmly place his stamp on the PLA, which has been a source of opposition to moderate Dengist politics.

Military commands which have recently changed hands are those of Nanjing, Canton and Chengdu regions. Of particular significance is the change in Canton, which has long been regarded as a fiefdom of Deng's oppoonents.

It is an area in which aging Marshal Ye Jianying, nominally the number two man in the Communist hierarchy, has had solid support. The 85 year old Ye is widely regarded as the foremost nagging critic of Deng's reformist policies.

All three new military commanders were elected to the party central committee at the September congress. It would be reasonable to class them as Deng supporters.

Speculation surrounds the future of General Li Desheng, the powerful commander of the Shenyang military region and Politburo member. General Li, believed to be another formidable Deng opponent, may soon be given a new job in Peking.

Deng, chairman of the Military Affairs Commission - China's top military position - appears to be "spring-cleaning" the military in the same way that his protegés have carried out reforms of the bureaucracy and of the party.

Immediately after the 12th party congress Wei Guoqing, the PLA's 76-year old political commissar, was removed from office, apparently because he incurred Deng's displeasure over the publication in the army newspaper on the eve of the congress of an article criticising Dengist policies.

Another important change at the top notified in recent weeks was the appointment of General Liu Huaqing as the new navy commander. General Liu is identified solidly with the Dengist faction.

It appears likely that China will soon have a new Defence Minister. General Geng Biao, the present defence chief, lost his position on the Politburo at the recent party congress. He is said not to be particularly popular with the military which has done badly in recent years in the allocation of resources for defence modernisation.

Zhang Aiping, a deputy chief of the general staff and Deng ally, is ooe name being mentioned as a possible replacement for General Geng.

Labor victory in S. Australia election

BY COLIN CHAPMAN IN SYDNEY

THE LABOR PARTY swept into power in the South Australian elections at the weekend with a swing of more than 7 per cent that bodes ill for Prime Minister Malcolm Fraser's Liberal Party, making it virtually certain that the Government will run its full three-year term until the end of 1983.

Had Dr David Tonkin's state Liberal government in South Australia been able to hold on, intensive speculation about an early election would have been rekindled, even though Mr Fraser's two weeks in hospital undergoing surgery for sciatica has virtually ruled out a poll before Christmas.

The oew premier of South Australia is Mr John Bannon, 39, who campaigned on the issues of unemployment and economic policy, and who upon election immediately called for a bipartisan consensus in tackling the serious problems facing the state.

The major employer in South Australia, Mitsubishi, has had to introduce a four-day week at its car plant, and another major manufacturer of white goods is facing severe problems.

Labor is now in power in Australia's three major industrial states: New South Wales, Victoria and South Australia. The Liberals hold office in Western Australia and Tasmania, and the National Party holds the reins in Queensland.

Romanian decree on hard currency risks trade status

BY LESLIE COLITT IN BERLIN

ROMANIANS seeking to emigrate to the West will have to reimburse the government in hard currency for the cost of their past education and training, according to a decree signed by Romania's President Mr Nicolae Ceausescu.

The new law appears likely to lead to serious friction with the U.S., which told Romania it faced the loss of most-favoured-nation trade status if it further restricted emigration.

Western diplomats in Bucharest noted thet last month, the U.S. Assistant Secretary of State for human rights, Mr Elliot Ahrams, was in Romania to express concern at the situation. U.S. Congress had sharply criticised Romania's tough emigration regulation. He said that if Romania were to force its emigrants to repay the government in hard currency for what it had spent on them, then Congress would almost certainly refuse to renew most-favoured status for Romania next year.

Earlier this year, President Reagan indicated Romania faced the loss of most-favoured privileges if it continued to restrict Jewish emigration from Romania. This has dropped to less than 50 a month from more than 300 a month a few years ago. There are an estimated 50,000 Jews still in Romania.

The new law says that before leaving the country, emigrants will also have to pay support in hard currency for dependents left behind. Between the time they get permission to leave and their actual departure, they will have to pay for medical treatment and other services in western currency. However, the possession of hard currency by Romanians is forbidden.

The decree also stipulates that the property of Romanians who emigrate will fall to the state. Romanians leaving the country illegally are to be sued in Romania or in the West until they pay their debts, the law notes. Similar regulations exist in the Soviet Union and Czechoslovakia.

Spain's top Communist quits after 20 years

BY TOM BURNS IN MADRID

SR SANTIAGO CARRILLO stepped down from the leadership of the Spanish Communist Party he has ruled with an iron hand for more than 20 years at the weekend after an acrimonious executive comittee meeting which reviewed the party's disastrous showing in the October 28 general elections.

In the elections, the Communist presence in the 350-member congress was reduced from 23 seats to four and its 10 per cent share of the national vote dropped to 3.8 per cent.

Sr Carrillo, 67, said he would not resign his congress seat and he nominated to succeed him Sr Gerardo Iglesias, 37, a faithful 'carrillista' who is head of the comunist branch of the Asturias region but is little known outside the party.

Sr Iglesias' nomination was expected to be accepted by the 104-member party central committee which was meeting today. Rank and file moves to block it apepared to have been quashed by a leadership announcement that there would under no circumstances be an extraordinary party congress to decide the succession issue.

● Senior leaders of the military wing of the Basque separatist movement ETA were arrested in France over the weekend, David Housego writes from Paris. The step is seen as an attempt by the French Socialist government to put pressure on ETA to negotiate with the incoming Spanish Socialist administration.

The arrests follow the killing of Gen Lago Ramon, the Spanish tank commander in Madrid on Thursday. Among the three leaders detained are Antxola Larranaga, said to be third in seniority in the movement.

Spadolini returns to face new crisis

By Rupert Cornwell in Rome

SIG GIOVANNI SPADOLINI, the Italian Prime Minister, returns to Rome today confronted by political difficulties which many analysts feel could bring about the demise of his second five-party coalition, barely three months after its formation last August.

Normally, a trip abroad by an Italian Premier (in this case to the U.S.) is a signal for temporary political truce at home. On this occasion, however, it has coincided with an unprecedented exchange of public insults between senior Christian Democrat and Socialist Ministers.

They have reflected not only personal anomosity, but the apparent fundamental inability of their two parties to work together.

The row involves Sig Nino Andreatta, the Christian Democrat Treasury Minister, and the Socialist Finance Minister, Sig Rino Formica. It would usually he little other than a demeaning curiosity—except that they are the two members of the government most directly responsible for the stabilisation package now before parliament. The package is vital if Italy is to begin to bring its inflation and runaway public sector deficit under control.

The country's economic problems were again underlined at the weekend, this time by trade figures showing a deficit of Lire 2,179bn ($1.5bn) in September alone, and one of L13,773bn ($9.4bn) over the first nine months. Inflation is again running at 2 per cent a month, while the government's borrowing requirements for 1982 will top 15 per cent of gross domestic product.

From the U.S., Sig Spadolini was forced to call an emergency meeting of his economic ministers and parliamentary leaders of the coalition parties for this evening, to calm things down. The signs indeed are that neither Socialists nor Christian Democrats really want the latest hostilities to spill over at once into a full-scale government crisis.

But the view is widespread that the administration will be lucky to survive the month; the names of possible successors to Sig Spadolini are being freely bandied around, as is open talk of general elections some time next spring.

Anthony Robinson in Moscow on the 65th Great October Revolution anniversary

Moscow has a well-rehearsed celebration

GREAT OCTOBER Revolution Day began with a profound silence. It was the silence of a city garlanded with red flags, glittering with fresh white snow under a blue sky, hushed by a city centre cordoned off by successive lines of grey uniformed militia in shiny black boots and fur hats.

It is easier for a camel to pass through the eye of a needle than for a person without a propusk (pass) to get within a mile of Red Square on Revolution Day.

Every night for the past week, it has been the same story as long columns of tanks, personnel carriers, mobile rockets and artillery have roared in convoys from their staging post at the former Moscow central airport field along the Moscow inner ring road, down Gorki Street and, finally into Red Square and past the saluting hase atop Lenin's tomb. Practice makes perfect.

Yesterday morning, as the Kremlin clock struck 10, the Polithuro and the Soviet top military hrass trooped up the stairs of the red marhle mausoleum. Conspicuous hy their absence were Politburo doyen Arvid Pelshe, too fragile to attend perhaps at 83, and 78-year-old Andrei Kirilenko.

Unlike Mr Pelshe, whose portrait still graces the Polithuro iconostasis, Mr Kirilenko's picture was nowhere to be seen, a sure sign of his political demise and of a new vacancy to be filled in the now 12-man top political organ of the party.

Defence Minister Dmitry Ustinov was master of ceremonies. In his address to the assembled leaders, diplomats and troops, and in his order of the day published in Pravda, he saluted the "invincible" Soviet armed forces hut stressed the need "to be vigilant and strengthen Soviet military might in the face of the western anti-communist crusade led hy the United States."

While Mr Ustinov attacked the Americans, Nato diplomats registered disapproval of Soviet military actions in Afghanistan hy sending only low-level personnel for the third year running. The Chinese ambassador, however, marked the Sino-Soviet thaw by turning up

Mr Breshnev, looking very very old and wearing thick horn-rimmed glasses for the first time in public, again showed the continuing strength of his will to rule by standing for two hours flanked by Marshal Ustinov and other military leaders on his right while Prime Minister Nikolai Tikhonov and Polithuro members and rivals Konstantin Chernenko and Yuri Andropov flanked him on the left in that order.

They listened to the hands, the speeches, the salutes and the echoing urrah, urrahs from the troops and then settled down to watch the military hardware on which they have spent so much roar past in clouds of blue smoke. Military attaches agreed that the parade was "old hat, the same ageing and sometimes obsolescent hardware as last year, except for a new variant armoured personnel carrier with a 30 mm cannon and a new variant Sam 8 surface to air missile. They've a lot more up their sleeve they're not showing us."

The next time I came across the demonstrators was half an hour later, as they crammed into the elegant Liberty-style gastronom (food shop) on Gorki Street which, before the revolution, was called Yeliseyev's.

There, under the most elegant tear-drop cascade Liberty chandeliers I have ever seen, they queued amid delicious smells of smoked fish and roasted coffee for Cuban grapefruit, Hungarian chickens, Armenian hrandy, Siberian vodka, three types of sausage and all the other delicacies piled up for the occasion. Further up the street the barricades were still in place to keep the riff-raff from getting closer.

Soviet leader Leonid Brezhnev said after yesterday's Red Square military parade that the Soviet Union would deal a "crushing retaliatory strike" to any aggressor, Renter reports from Moscow.

Mr Brezhnev said: "Our might and vigilance will cool, I think, the hotheads of some imperialist politicians."

He mentioned no western leader or country by name, but his comments, published by Tass news agency, were clearly directed at the United States and the Reagan administration.

Mr Brezhnev, said it was not in the tradition of the Soviet Communist Party or the Soviet people to retreat before the offensive which the "imperialists" had unleashed.

The Soviet leader continued: "We shall do our utmost to see to it that those who like military ventures should never take the land of the Soviets unawares.

"The potential aggressor should know: a crushing retaliatory strike will inevitably he in for him," Mr Brezhnev was quoted as saying.

The helligerent tone of the language was unusual for Mr Brezhnev and appeared to he part of a new tough anti-U.S. line which he set in a major speech to armed forces leaders on October 27.

In his traditional speech, Defence Minister Dmitry Ustinov, said Moscow was making great efforts in arms control negotiations with Washington on redncing medium-range and strategic nuclear missiles.

He went on: "The aggressive forces of imperialism, first of all the U.S., have raised their level of military preparations to an unprecedented level."

Accusing the U.S. of provoking armed conflicts globally and threatening the use of nuclear weapons, he said: "They have unleashed a political, ideological and economic offensive against socialism."

West Germany's Free Democrats remain disunited

James Buchan in Berlin assesses the FDP congress and its likely aftermath with elections only four months away

ONLY IN West Germany's Free Democrat Party, divided and disgusted with itself, could delegates to a party congress vigorously applaud a popular parliamentary deputy for resigning from the party.

But when Frau Ingrid Matthaeus-Maier, a leading figure on the left of a party lurching painfully to the right, came to the podium just before midnight on Friday night to announce, with tears in her eyes, that she would remain in opposition to the present government of FDP and the conservative narties, she received the nearest the congress had so far shown by way of ovation.

For if those still loyal to 13 years of coalition with the Social Democrats that ended so abruptly in December, were in despair—and Frau Matthaeus opened the way for another spate of resignations — the majority of the 400 nrdinary delegates at the Berlin party congress also seemed deeply dejected.

In his opening speech on Friday, Herr Hans Dietrich Genscher, who was re-elected as party chairman, said: "At the close of this party congress, the FDP must once again be a united party." In this aim he has failed.

Many delegates feared that the continued divisions would prove so unattractive to voters that the FDP would not be able to achieve the 5 per cent necessary for parliamentary representation at elections called for March 6.

Herr Genscher received only a 55.8 per cent majority for his re-election on Friday, against 90.2 per cent in 1980 and was criticised in a motion for the high-handed manner in which the party leadership shifted coalition.

On Saturday, Herr Genscher managed to impose his authority on the delegates and to pass other motions, including continued support for Nato's nuclear missile policy, but these were generally hy the slimmest majority.

By then, a group of 200 delegates and guests, mostly from the Young Democrats, but including such luminaries as Frau Matthaeus and the 86-year-old Herr Wilhelm Borm, had abandoned the luxurious wastes of Berlin's DM1bn international congress centre for a grubby hall across the road, to discuss the formation of a new party of "social liberals."

The actual decision on whether to form a new party was put off until a meeting of grass roots organisations in Bochum on November 28, and Frau Matthaeus herself was extremely dubious about its chances. She warned that it would merely take votes away from the Social Democrat Party and the radical environmentalists and disarmament party, the Greens, to the henefit of Herr Genscher's new partners, the Christian Democrats (CDU) and Christian Social Union (CSU).

Herr Genscher can probably do without the young democrats and nther left-wingers. But his new-look FDP will find it hard to pick up young votes and may have to look to the conservative bourgeoisie for the extra percentage points he needs to survive, for its showing is now likely to fall from the 4.3 per cent the opinion polls gave it before the party congress.

For those on the left and in the centre who decided to stay with the party, it was a painful three days. Faced with pressure from Herr Genscher and Count Otto Lambsdorff, the economics minister, they did not know where to turn.

When Herr Gerhart Baum, the left-wing champion and former interior minister, managed to achieve election as one of the three deputy chairmen, but hy only one vote, he hesitated before accepting a post in which he will be consistently outvoted.

On Sunday, this group sat in agony through a speech hy Frau Irmgard Adam-Schwaetzer the new secretary general and the only one of the eight women deputies to support the changing course; her attitude to social benefits would not have shamed Mrs Thatcher.

Delegates pointed out that the party had split before at a change of coalition partners, most recently in the switch from CDU-CSU to SPD in 1969. The difference is that this was not before an election, nor one that is only four months away.

OVERSEAS NEWS

Yugoslavia finds itself vulnerable to a capitalist crisis

David Buchan examines an industrial burden which, without Western help, may sink a Zagreb bank

COMMUNIST Yugoslavia has hit a classic capitalist crisis. The problems of INA, the country's largest company and its main oil supplier, threaten to sink its banker, Privredna Banka of Zagreb, one of Yugoslavia's biggest financial institutions. The epicentre of the crisis is the republic of Croatia, but its shock waves this year have rocked the whole country's financial relations with the Western banking community.

Struggling to correct its own admitted mistakes in the past, Privredna Banka has appealed for a show of solidarity from the 70 Western banks with which it used to have good working relations. The appeal has so far fallen on deaf ears.

Western bankers, hardened by bitter experience in Poland and Romania, have told the Zagreb bank that solidarity should begin at home, with the national bank in Belgrade and other Yugoslav commercial banks.

The national bank has this year provided a couple of hundred million dollars in support and one of its senior officials, Mr Tomislav Badovinac, to run the troubled Zagreb bank after a management shake-up this summer. But the bottom line, as Mr Badovinac said last month, is that Privredna Banka still has $350m of its total $1bn 1981 foreign debt to repay by the end of this year, and no very clear idea of where this is going to come from.

Three factors precipitated the crisis:

● INA's own financial problems. In addition to financing an ambitious investment programme which includes a petrochemical joint venture with Dow Chemical of the U.S. and a big new fertiliser plant built by Davy of the UK, INA has had to find the foreign exchange for most of the 11m tonnes of oil which Yugoslavia imports every year.

INA also happens to be the country's major domestic oil producer, accounting for 3m tonnes of the 4m extracted in Yugoslavia last year. But it could not use any of this to raise foreign exchange since oil exports are not allowed.

● Privredna Banka's own mistakes. The Zagreb bank shouldered INA's financing problems. It had no choice. Under the Yugoslav system, banks are owned by member companies, their customers in effect, and INA is one of the Zagreb bank's "members". But unlike other banks elsewhere in Yugoslavia, Privredna Banka could not share the INA burden with other banks. Up to now Croatia has been the only republic where banks have not been grouped in an "association".

The previous management of Privredna Banka decided to try to finance INA's longer-term needs with short-term borrowing. The strategy worked well in 1980-1, but came unstuck this year, as Western banks refused, in the wake of Poland and Romania, to roll over their short-term credits.

● The trigger was pulled, says Mr Badovinac, on March 3 by Citibank. Impatient and worried that Privredna Banka was 48 hours late on $5.9m payment, the U.S. bank decided to pull its money out as soon as possible. "I'm not complaining about Citibank, they acted according to their rights," Mr Badovinac says. But the effect was that all other Western creditors and depositors followed suit.

The upshot is that the Zagreb bank has had $638m in short-term foreign debt ($1bn including medium and long-term maturities) to repay this year, with virtually nothing coming in. Mr Badovinac says he has asked those Western banks which are still owed $200m in short-term money this year to extend the maturity from three to six months. But he has had no response so far.

He has also asked banks whom Privredna Banka has repaid in full this year to extend some new short-term credit. The response so far has been only "symbolic", he says – $15m in new money.

Ironically, Citibank may, in a minor and indirect way, help Privredna Banka out of impasse. It is one of a consortium of U.S. banks which have completed negotiations to lend Yugoslavia $200m. Privredna Banka hopes to get some $40m of the proceeds of this.

Luckily, too, the Zagreb bank's domestic depositors have not reacted to its problems, which have been widely publicised inside Yugoslavia. They kept their money in Privredna's vaults, perhaps reassured by the national bank guarantee of all foreign exchange accounts and by the fact that Privredna's member companies account for 40 per cent of the Croatian economy.

The losers, in fact, have been the other member companies, apart from INA, because they have had some of their foreign exchange earnings siphoned off to help INA.

Change, however, is on the way. A new "Associated Bank of Croatia" is to be formed in January 1983. It will be formed by Privredna Banka and other banks and is expected gradually to take a prime role in foreign finance. But it will not inherit its component banks' debts. "We didn't want to hang a stone around its neck", says Mr Ante Markovic, the Croatian Prime Minister, who has also played key role in getting INA and other companies in the republic to reduce their costly investment programmes.

His predecessor as Prime Minister Mr Peter Flekovic, is now in charge of INA. He says that by mid-1983 the only investments INA will be making will be in new domestic oil and gas development. The ambitious Dina petrochemical joint venture with Dow has been cut back. This was done at Dow's initiative, though INA now heartily concurs.

INA, and for that matter Privredna Banka, are no longer responsible for stumping up the cash for most of the country's oil imports. The national bank has assumed this task, by taking a 17 per cent rake-off of all foreign exchange receipts.

Neither INA nor Privredna Banka will be out of the woods next year. The bank still has $500m in foreign debt to repay next year, while INA is faced with the long-term problem that only about half of its refining capacity is being used. Yugoslavia has the capacity to process 30m tonnes of oil a year, but it needs only half this and perhaps less if petrol rationing introduced this month succeeds in curbing consumption.

Still, Mr Flekovic says INA now has Italian companies using its refineries, to the tune of 2m tonnes a year, to supply northern Italy. In addition, the fact that members of the Organisation of Petroleum Exporting Countries have increasingly been offering Yugoslavia payment in oil is easing the foreign exchange problems of the company, and the country.

Military oust Zerbo in Upper Volta coup

THE Government of Colonel Saye Zerbo in Upper Volta has been overthrown in a coup staged by a group of non-commissioned officers and soldiers according to radio reports from the country's capital Ouagadougou.

A provisional committee of national salvation has been formed to run the West African state.

The country's new rulers immediately imposed a dusk to dawn curfew and launched an appeal for the people to rally to the new regime, the French news agency Agence France Presse reported from Abidjan, Ivory Coast, citing Volta Radio.

The reports could not be immediately confirmed, but diplomats in Paris said there bad been reports of serious disturbances in Ouagadougou.

According to the Upper Volta radio reports, the coup was staged on Saturday night and Sunday morning. It gave no details on how it was carried out or the fate of Colonel Zerbo. All communications with Upper Volta were cut and the borders closed.

In a proclamation broadcast on Sunday, the new ruling military men said the provisional committee of national salvation was made up of non-commissioned officers and ordinary soldiers.

The proclamation announced the dissolution of the ruling military committee and said that all personal liberties, with the exception of political liberties, would be guaranteed.

It was the fourth coup d'etat in Upper Volta since the country gained its independence from France in 1960. Colonel Zerbo himself seized power in a coup on November 25, 1980, ousting General Sangoule Lamizana.

The weekend coup was not a total surprise to observers, who noted frequent reports of disgruntlement among officers in the ruling military council and among labour unions.

The country was also affected by a number of strikes, which though not widely followed, were an indication of hostility to the regime's austerity measures.

Upper Volta, located in the Sahel region, is a landlocked nation with a population of about 6.5m. It is bounded by Mali and Niger on the north, the Ivory Coast, Ghana, Togo and Benin to the south. Ninety per cent of the people are engaged in subsistence agriculture and foreign aid makes up about half of the gross national product.

When Colonel Zerbo came to power two years ago, he ended what had been considered by many to be one of the most democratic regimes in Africa. Athough Gen Lanizana himself seized power in a coup in 1966, he was subsequently elected president in 1973 in what then was hailed as an open and fair election.

As president Gen Lanizana was, however, unable to come to grips with an economy battered by the effects of the 1968–74 drought in the Sahel. Colonel Zerbo, apparently, was able to do no better and his regime came under increasing criticism for mistakes and its inability to get the economy moving.

Agencies

Indonesia clings to conquered island-as Portuguese step up challenge

BY RICHARD COWPER IN JAKARTA

FOR THE seventh year running, the United Nations is about to vote on whether to accept or reject the legality of Indonesia's military takeover of a tiny island territory less than 800 km off the northern coast of Australia.

The lead-up to the debate on the former Portuguese colony of East Timor has seen a rush of activity on both the military and diplomatic fronts. In the past few months there have been reports of a stepped up armed campaign by left-wing Fretelin guerrillas on East Timor itself, and more than a dozen people are believed to have been killed.

The Indonesian army has continued its "pacificatinn" campaign by pushing more East Timorese onto a largely arid island off the coast of East Timor's capital, Dili, as well as enforcing stricter measures to cut off arms supplies still getting through to the guerrillas.

On the diplomatic front, Indonesia has lobbied hard over the past 12 months to swing the East Timor vote in its favour, but a flurry of often unfavourable press reports alleging continuing abuses of human rights and food problems on the island has not helped to justify Indonesian optimism that the East Timor issue might soon be dropped from the UN agenda altogether.

Until now the UN has resolutely refused to accept the integration of East Timor into the Indonesian state, announced by Jakarta in 1976 just a year after the invasion.

The recent dispatch by Portugal – long Indonesia's main opponent on the issue – of a high-powered force of two former ministers and nine former ambassadors to lobby against Indonesia in 30 countries has caused considerable alarm among Indonesian Foreign Office officials. Mr Mochtar Kusumaatmadja, Indonesia's Foreign Minister, spoke last month of what looked like a last minute "counter-offensive."

After Kampuchea, East Timor is regarded in Jakarta as the country's key foreign affairs problem, and there had been some hope that when President Suharto came up for re-election next year that he would be able to tell the nation that the world now accepted Indonesia's "rights" over the island.

Earlier this year, Indonesian Foreign Office officials said that last year's 11-vote majority against Indonesia had been reduced to just three. How the vote will turn out is not clear, but it seems unlikely that it will go in Indonesia's favour.

Obtaining accurate information about conditions on East Timor is extremely difficult. Diplomats and journalists make the occasional sponsored visit, but for the most part reporting is subject to a barrage of Indonesian Government propaganda on the one hand, and left-wing Fretelin propaganda on the other.

However, reports earlier this year of another widespread outbreak of famine on the island – similar to that of 1979 – are almost certainly unfounded, despite the drought which has gripped much of Indonesia over the past four or five months.

There have been acute food shortages and instances of malnourishment in some isolated areas, and the army's policy of pushing East Timorese into hamlets – sometimes far from their fields – has meant that many are forced to rely on government handouts.

Most of the 570,000 East Timorese appear to be resigned to integration with Indonesia, but for many the nature of the relationship still rankles. The number of people herded onto the arid island of Atarau to deprive the Fretelin guerrillas of material and familial support has grown from some 3,500 six months ago to more than 4,500.

Their presence is resented by the 5,000 or so local inhabitants, and the tiny island appears to be incapable of supporting such a number.

Occasional allegations of murder and brutality by Indonesian troops continue to surface. Specific charges of rape and murder are, however, almost impossible to verify. Last June two local members of the so-called East Timor Regional Assembly wrote to General Suharto regretting that soldiers continued to behave like "conquerors," abusing their powers and ignoring local traditions.

An army-backed company has taken over the island's valuable coffee trade and East Timorese have complained of having to sell at unacceptably low prices.

It is, however, clear that a growing number of senior officials believe there will be no real progress towards normalisation unless day-to-day control of the territory is transferred from the army to the Home Ministry.

Meanwhile a group of upwards of 150 armed Fretelin guerrillas, who have fought a small but protracted war of independence since the Indonesian invasion of 1975, are likely to continue their intermittent campaign.

Though Fretelin offers no serious threat to the Indonesian army, its activities continue to prove a thorn in the flesh of a country which would like to claim that all is now well on the island.

The Indonesian Government has poured in considerable amounts of money and claims with some justice that it has done more to develop infrastructure and education in the past six years than Portugal did over more than three centuries.

But achieving normalisation will require more than just money if – as seems possible in the next few years – Indonesian's claim to the territory is recognised by the world community.

LISBON ALLEGES SUFFERING

PORTUGAL called last week for United Nations help towards a solution of the problem of East Timor, its former Asian colony which has been absorbed by Indonesia under General Suharto (left). Our United Nations Correspondent writes.

A resolution on the question is expected to be voted by the General Assembly's Trusteeship Committee on Friday or Saturday. It proposes that Sr Javier Perez de Cuellar, the UN Secretry General, conducts new efforts to bring about a political settlement acceptable to all concerned.

Sr Manuel Tilman, Leader of a Portuguese parliamentary committee which has sent a deputation to New York for the debate, told a press conference last Thursday that the aspirations and rights of the East Timorese people must be taken into account without any foreign interference "in order to put an end to the illegal situation in the territory."

He said there was evidence of great human suffering in East Timor as a result of repressive measures by the Indonesians.

Egypt calls for joint action

BY CHARLES RICHARDS IN CAIRO

THE EGYPTIAN Prime Minister, Dr Fouad Mohieddin, has called on Arab leaders to take concerted action to solve their common problems.

Dr Mohieddin, in a speech to Parliament outlining his Government's policy, stated that the Egyptian armed forces had a duty to protect both Egypt and any Arab country exposed to aggression.

He pointed to the military help which Egypt had given Iraq in its war with Iran, even though Iran – in common with all but three Arab countries – broke off relations with Egypt after it signed its peace treaty with Israel.

Egypt has always believed that the other Arab countries need it more than it needs them. An air force display last week was intended in great part to impress the discreet visitors from Iraq, Morocco and Jordan both with Egypt's military might and its ability to produce or co-produce advanced weapons such as the Alpha jet, shown for the first time.

Dr Mohieddin said Egypt wanted to settle the dispute with Israel on their border at Taba by peaceful means. He accused Israel of violating an agreement by opening a hotel in the disputed area.

The Prime Minister said that his Government held Israel responsible for the massacres at Sabra and Chatila refugee camps near Beirut in September.

On economic policy, Dr Mohieddin said one of the main objectives of the five-year plan was to increase investment to concentrate on productive industry. The Government aimed at an annual growth of 3.7 per cent in agriculture and 9.5 per cent in industry.

To reduce the balance of payments deficit, be wanted an increase of exports of about 8.3 per cent a year and a cut in imports of 4 per cent a year.

Missile test buoys Chinese navy

Tony Walker in Peking discerns an effort to upgrade submarine forces

EARLY last month, when Peking quietly notified the world to keep clear of an area in the East China Sea north of Taiwan, Western military analysts saw nothing remarkable in the warning. They assumed China was planning a routine naval exercise.

As it turned out, the event proved to be anything but routine. On Saturday, October 16 Peking announced it had successfully test-launched a submarine-based ballistic missile.

Not many believed the Chinese were so far advanced in such technology. A Western military attaché in Peking, an expert in submarine warfare, said the missile launch was very encouraging for the Chinese navy. He described the test as a major breakthrough. It was also, he said, a further indication that Peking was giving priority to the navy in its defence modernisation programme.

According to defence analysts in Peking the development of a stronger Chinese navy makes sense because of China's rapidly growing commercial shipping fleet and increasing strategic interests offshore – new oilfields for example.

The Falklands war is also likely to have spurred modernisation, since it demonstrated that ships are almost defenceless against modern sea-skimming missiles unless they have up-to-date missile systems. China's defence planners are known to have called for a special report on the lessons of the Falklands.

Under present circumstances the Chinese navy would be no match for potential antagonists such as the Soviet Pacific Fleet. On land, China's military forces may be able to get away with guerrilla tactics against a force with superior strike-power, but at sea a maritime variation on the "People's War" of former Chairman Mao would not be an option.

The building of a nuclear-powered ballistic missile submarine would give the Chinese navy much needed teeth. China already has two nuclear-powered submarines and may be constructing a third, but these are quite small and relatively unsophisticated.

According to Western defence experts it may take at least four to five years before China can upgrade its submarine forces, but the recent ballistic missile test indicates that it has made a promising start.

"It will give the Russians still another headache," said one Western analyst.

China is far from having a "blue water" naval capacity. It has no aircraft carrier, no credible anti-submarine capability and nothing that could stop the latest generation of sea-skimming missiles.

"If I were the commander of the Chinese navy I would be desperately worried about its survival in the event of war," said a Western military attaché. "I would go into the Sam (surface to air missile) business and probably start updating anti-submarine performance as well."

Foreign defence experts see no evidence of China building an aircraft carrier, although there were hints in an August report in the People's Daily, the Communist Party newspaper, that carrier pilots were being trained.

Experts in Peking believe that if China were to develop a fleet air arm it would most likely use a version of the jump-jet operating from a "poor man's carrier" such as a merchant ship.

At present China's naval air defence is restricted to a large but antiquated shore-based air force of 800 aircraft, mainly MiG 19s with limited range, and some bombers built to an outdated Soviet design. At present this force can provide air cover to a distance of about 200 miles from land.

China has had talks with Britain in the past about acquiring the Harrier jump-jet but, according to British Aerospace representatives, the Chinese were shocked when discussions turned to the cost of acquiring such an aircraft. The navy is, however, negotiating with the British to acquire the Sea Dart missile.

Apart from protecting what it has – a naval fleet of limited range and capability – China needs a effective seaborne deterrent. With the test launch of the ballistic missile China has moved closer to acquiring such a deterrent.

Peking Review, an official magazine, stated in its latest issue that the launch "represents a qualitative change and a leap forward in technology since the carrier rocket launching from north-west China to the South Pacific in 1980".

This was a test which sent an intercontinental ballistic missile (ICBM) from China's Lop Nor test site in its far western region thousands of miles into the South Pacific. China sent a fleet of 18 vessels to the Pacific to monitor the splashdown, an indication that the navy was seeking to break out of a purely coastal defence role.

China's inventory of ships includes about 30 major combat vessels of antiquated Soviet and indigenous design and a large number of missile attack boats. The conventional submarine fleet consists of more than 100 diesel attack submarines of the Soviet-designed Romeo and Whiskey and Ming classes.

In their calculations about possible conflict at sea Chinese strategists are likely to have in mind disputes with Vietnam over areas of the South China Sea – particularly those sections believed to be rich in oil.

China and Vietnam are in dispute over the Paracel and Spratlys Islands and over areas of the Gulf of Tonkin. Any of these could provide the flashpoint for serious conflict between the two countries. In the past year there have been several incidents at sea between the two countries.

An indication of the priority now being given to the navy came with the recent appointment of General Liu Huaqing as its head. Gen. Liu, a deputy chief of the general staff of the People's Liberation Army, is regarded as one of those pushing hardest in the military for modernisation.

Perhaps the most compelling reason for China to give priority to the development of its navy is the growing Soviet naval presence in the Pacific. Soviet ships are regularly seen moving back and forth between the Indian Ocean and Vladivostok. An added worry for China is Soviet use of the former U.S. naval base at Cam Ranh Bay in Vietnam.

As one military analyst said: "Chinese strategic planners have to envisage action against the Russian Pacific Fleet. Under present circumstances they would get severely mauled, and I'm sure they're worried about the Soviet use of bases in Vietnam."

China may not have the capacity to rule the waves in its own sphere of influence for a very long time, but it appears intent on becoming a potent maritime force.

STATISTICAL TRENDS: TURKEY

Warning lights on the economic road back

THE MILITARY Government in Turkey, which took power in September 1980, can claim some economic successes over the last two years. Gross national product grew by 4.4 per cent in real terms last year, after falling by 1 per cent in 1980, the second consecutive decline. Forecasts of around 4 per cent growth this year will give Turkey the highest rate in Europe, if achieved.

The rate of inflation fell substantially in 1981 but the initial successes have not been maintained during this year. Exports have risen dramatically, especially to the Opec countries, as have overseas contracts, again in the Middle East. A combination of the devaluation of the lira, export promotion measures and the state of the home market has pushed companies into export drives. The increased earnings in exports, workers' remittances, transit fees and contracting profits brought the current account deficit down by $1.5bn in 1981.

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

The restructuring of Turkey's foreign debt and loans made by the IMF and World Bank have alleviated the severe financing difficulties experienced after the second oil price rise.

There are still problems, however. Several months ago, the IMF expressed anxiety about the possibility of continued falls in inflation, given the very rapid rate of monetary expansion. The existence of very high real interest rates encouraged the pouring in of money to the fringe banks, the most important of which, Banker Kastelli, collapsed in July. The banking crash gave a shock to the whole economy. At the same time, hard-pressed companies have found the real cost of borrowing cripplingly high.

The State Economic Enterprises (SEEs), which account for nearly half of Turkish industry, still require substantial state funding. The Government is trying to reorganise them and cut their workforces. Agricultural support prices have also risen much less in 1981 than in previous years.

The growth of agriculture has been disappointing compared to overall growth. While the share of agricultural exports has fallen, they remain extremely important. The growth of industry's share of GNP has not been matched by the same growth in employment. Agriculture still employed more than half the workforce in 1980. Land reform and major irrigation projects are necessary, but both have run into difficulties.

There are also potential problems with the export drive: the EEC has already protested about the level of Turkish clothing exports, and while a pact has been agreed this year, it could be a sign of more difficulties ahead. Spending cutbacks have started in many Opec countries, including Libya, which is a particularly important market for Turkey.

Turkish exporters are hoping to diversify, especially into North Africa, to avoid too heavy dependence on the Middle East.

The burden of the military Government's austerity programme has fallen most heavily on wage earners, who have seen the real value of their wages fall very fast. Unemployment is high, and projected to rise further. The figures given here show only a trend: they understate the real extent of the problem in a country where agricultural underemployment is substantial.

Ten years ago, Turkey was producing half its oil requirements; today that proportion is down to one-sixth. Coal reserves are also running out, though lignite production could increase. Turkey's hydro-electric power potential is large, but at present its electricity consumption per head is the lowest in Europe.

STRUCTURE OF THE ECONOMY
% of GNP

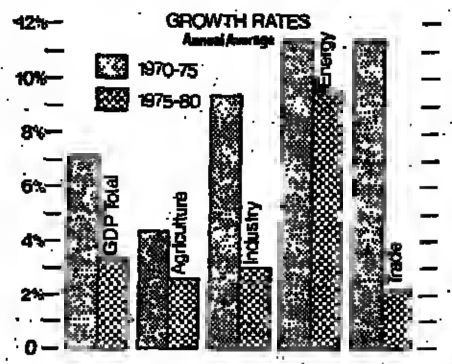
	Agriculture	Industry	Services
1948	46.0	13.3	40.7
1960	38.9	16.2	44.9
1973	20.8	19.3	59.9
1981	22.9	27.2	49.9
Empl'ym'nt % of total (1980)	57.6	11.8	30.6

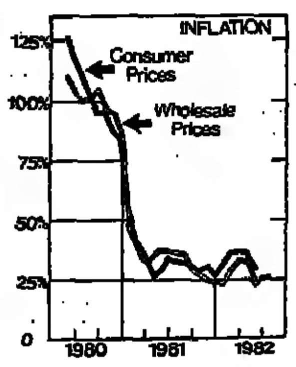
% vol. changes

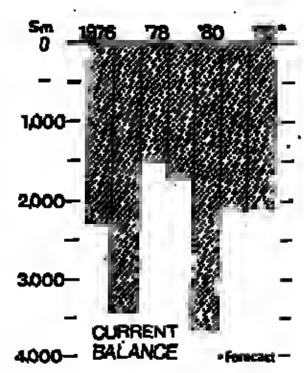
	81	82*
Agriculture	0.5	3.1
Industry	7.6	6.1
Mnfng.	7.3	5.8
Energy	5.2	9.2

* Programme.

General







MONEY AND CREDIT
% changes

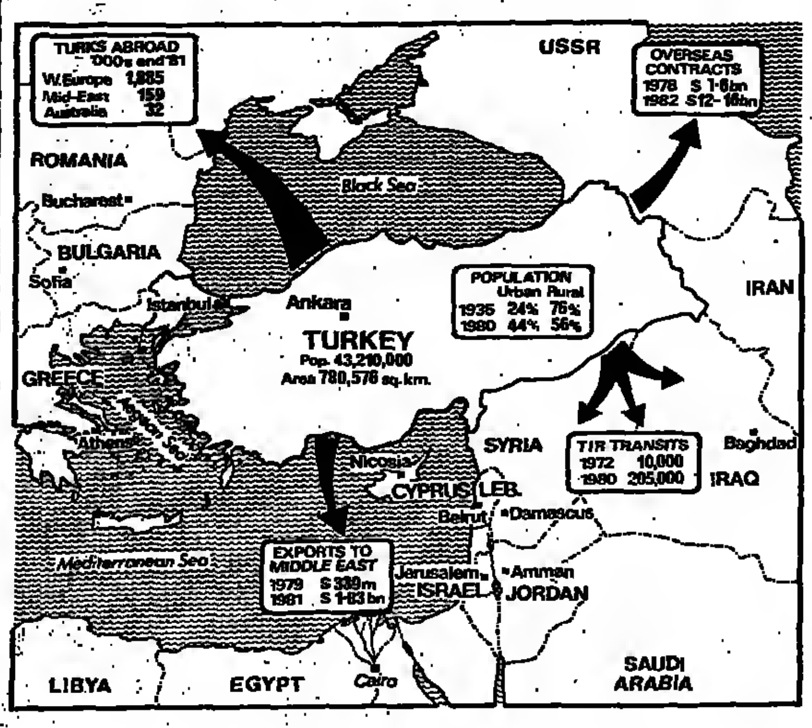
	Dec. 1980	Dec. 1981	June 1982
M1	58.4	22.6	44.1
M2	67.1	61.4	na
Bank deposits	72.4	72.7	77.8
Sight saving	35.7	3.6	13.4
Time deposits	114.3	216.4	226.0
Deposit certificates	—	515.8	na
Other deposits	68.9	84.0	49.7

Source: Central Bank of Turkey

FINANCING OF SEEs
% of requirements

	1976	1981
State Investment Bk.	24.5	6.3
Budget contributions	34.0	56.0
Central bank loans	19.7	—
Foreign direct finance	8.0	31.8
Other borrowing	13.8	5.9
Total TLbn curr. prices	47.7	424.8
% of GDP	7.2	6.7

Source: Ministry of Finance

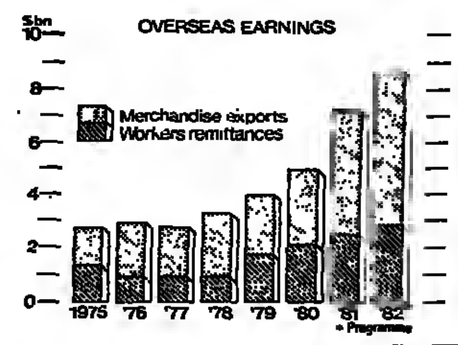


Labour

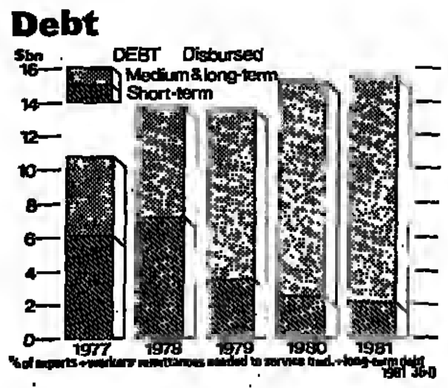
EMPLOYMENT (000s)

	1970	1975	1980	Average annual growth rate % 1970-75	1975-80
Total population	35,605	40,348	45,218	2.5	2.3
Civilian labour force	14,544	16,040	17,180	2.0	1.4
Employment	13,820	14,698	15,310	1.2	0.8
Agriculture	8,506	8,663	8,820	0.4	0.4
Industry	1,397	1,691	1,802	3.9	1.3
Unemployment	724	1,342	1,860	13.1	5.0

Source: OECD



Debt



Agriculture

AGRICULTURE: PRODUCTION AND TRADE

	Production '000 tons 1980	1981	Exports (US$m) 1980	1981	% of total exports 1980	1981	Support prices % change 1980	1981
Cotton	500	500	323	348	11.1	7.4	100.0	26.0
Hazelnuts	350	350	395	302	13.6	6.4	193.3	13.6
Tobacco	234	200	234	395	8.0	8.4	83.4	16.7

Land use %, 1980

Cultivated	35.8	Water	1.4	Meadow	23.7
Forest	25.9	Barren	13.3	Total sq.km.	781.000

Sources: OECD and National Sources

Trade

EXPORTS: MAIN MARKETS
% of total

	1979	1980	1981	1982*
West Germany	21.9	20.8	13.7	12.4
U.S.	4.6	4.4	5.7	3.9
East Europe	7.7	10.7	2.7	3.9
Iran	0.5	2.9	9.4	11.3
Iraq	5.0	4.6	11.9	14.6
Libya	1.9	2.0	9.4	5.2
Saudi Arabia	0.9	1.5	4.0	4.9
Total U.S.$m	2,261	2,910	4,703	2,952

* January-July.

Source: State Planning Organisation

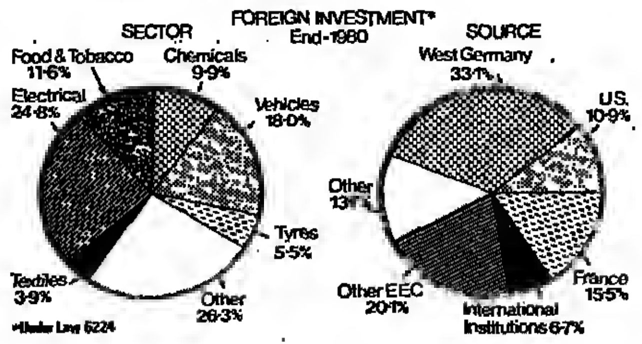
EXPORTS: COMPOSITION
% of total

	1979	1980	1981	1982*
Agricultural goods	59.4	57.5	47.2	37.0
Minerals	5.8	6.6	4.1	3.3
Industrial goods	34.7	36.0	48.7	59.8
Agro-industrial	6.7	7.2	8.8	9.7
Petroleum products	—	1.3	2.3	4.6
Manuf. & semi-manuf.	28.0	27.5	37.7	45.5
Total U.S.$m	2,261	2,910	4,703	2,952

* January-July.

Source: State Planning Organisation

Foreign Investment



Energy

ENERGY
Sources of electricity generated %

	1974	1977	1981
Fuel oil	46	34	22
Hydro-electric	25	42	51
Lignite	18	18	24
Coal	11	6	3

Oil production 1970 70,000 b/d: 1981 47,000 b/d. Annual consumption of electricity per capita: 545 Kwh.

Oil majors face tighter 'national' controls

BY BRIJ KHINDARIA IN GENEVA

DEVELOPING countries plan to tighten the terms under which they allow multinational oil companies to explore for petroleum in their territories ond off-sbore seas.

Afler reviewing about 600 oil exploration contracts between developing countries and oil companies, the UN Conference on Trade and Development (Unctad) is suggesting creation of international guidelines or models which countries might use to negotiate such contracts.

The purpose is to make it easter for developing countries to protect their long-term interests against erosion by profit-oriented privale multinationals.

There is also a move towards more deals with state-owned oil companies in the Soviet Union and Czechoslovakia as well as in West Germany, Canada, Norway and Japan. Since almost all third world oll producera bave state-owned oll companies, that leaves less scope for privately-owned companies.

The U.S. and Britain strongly oppose efforts to standardise contracts, but developing countries feel models are vital to ensure that they keep the upper hand over companies when oil is discovered.

An Unclad study discussed at e meeting of experts in Geneva last week recommends thet developing countries should further control multinetionals by passing lews spelling out the "precise framework within which petroleum exploration can take place and negotiations with tbe international oil compenies can be conducted."

The experts concluded that petroleum exploration contracts should promote "optimum transfer of all types of technology to developing countries."

Developing countries supply 60 per cent of the industralised world's oil needs and produce three times as much oil as they consume. Their consumption is expected to increase at least fourfold by the Year 2000.

In addition, their needs for electric power generation—e major consumer of petroleum—are expected to increase at least threefold making them a cruciel market for exporters of power plants.

About a third of the current electricity generating capacity of developing countries came on stream during the last five years making them e booming market which has eccounted for nearly balf the world's trade in power plants.

Countries in the developing world aim to ensure that they enter future negotiations with the international oil majors with enough expertise to become eventual senior partners and decision-takers in any joint ventures. They want to set their own national rules which companies must obey

With such massive requiremeots, Third World countries expect to become the objects of a cut-throat scramble among Western suppliers of oil exploration and drilling equipment as well as electric power plents.

Their aim now is to ensure that they enter negotiations with enougb expertise and become the eventual aenior partners and decision-takers ln jolnt ventures. They want to aet tbe rules which companies muat obey.

When India opened up its offshore oil fields in the Arahian Sea for explorstion by international oil companies, including British Petroleum and Burmah Shell, it took two years to decide the terms to impose on the companies.

The main features of existing contracts are the restrictions pleced on international companies although without their belp no developing country can successfully find, develop, exploit or market local petroleum resources.

The study recognises that International oil companies will "continue to act as the main suppliers of risk capital as well as important organisers of petroleum exploration in developing countries," but suggests thet their profits requirement may make Third World co-operetion with them more difficult.

Tha risk now is that more Third World oil will have to be sent to indsutrialised countries if and when economic recovery takes hold, leaving smaller quantities for use by developing countries. Oil prices may be bid up to levels which poorer nations cannot afford bringing a halt to economic development.

It is thought that only tougher controls on all company activity can ensure adequate oil supplies at reasonable prices for developing countries leter this century. Consequently, "stricter and more specific conditions" in oil exploration contracts would include obligations to bire local nationals, give scholarships to train local staff, buy locally-made materials, inputs and services, disclose vital information and band over equipment to local companies when the contract expires.

According to the International Atomic Energy Agency, nuclear power will become an attractive alternative to oil-based electricity in coming decades as at least 15 Third World cities expand to more than 10m people, led by Mexico City with 30m and Calcutta with 25m.

SHIPPING REPORT

Lay-up berths are filling fast

BY ANDREW FISHER

LAY-UP BERTHS are filling fast as more owners send their ships to wait out the crisis rather than trade at low freight rates.

Greek owners in particular have chosen to lay up rather than look in vain for profitable buslness.

Howard Houlder (Chartering) sald last week that somc 12.3m deadwelgbt tons of hulk and ore carriers—344 ships ln all—were laid-up at the start of November. Nearly 6m dwt of thia was under the Greek flag.

Greek owners were also beavily represented ln the tanker sector, where the lay-up total, including combination carriers, was nearly 69m dwt or 440 vessels.

After the 18.8m dwt of the Liberian flag, beavily used by western fleets, it was Greece which made up the largest share with 11.5m dwt, closely followed by Norway.

Most shiphrokers reckon it will be some time before matters improve. So far, said Matheson (Chartering), the lay-up programme had not had any noticeable effect. But the prospects did not look good.

It added that large modern Panamax vessels — around 60,000 dwt and able to go through the Panama Canal — which needed the highest rates to cover their operating and financing costs were often beíng paid least.

But Denholm Goates did have a faint touch of optimism. "Rates may bave bottomed out," lt felt. The Atlantic market was bolding firm, with \$7-\$7.25 per ton for grain from the U.S. to continental Europe. The Far East merket remained dismal, though.

In the tanker market, inqulries were low.

UK groups win £46m Algeria hospital deal

BY FRANCIS GHILES

TARMAG International and Clasp International of the UK have been awarded a contract worth £46m by Algeria to build four hospitals in the western region of Mascara. The contract is the first ever in Algeria for both companies

A £37m loan bas been erranged by Midland Bank to finance the project. The loan ls backed by the Export Credit Guarantee Department.

Glasp is the subsldiary of the Consortium of Local Authorities Special Programmes which has specielised in designing prefabricated schools and, more recently, hospitals.

Clasp representatives visited Algeria after an earthquake two years ago devastated El Asnam, near Mascara. Clasp will design and build the hospltals which will be shipped in prefabricated form to Algeria and set up there by Tarmac International.

Algeria is one of the largest importers of western civilian goods. The current five-year economic plan, 1980-84, has given priority to housing, scbools and hospltals.

Imports of prefabricated elements for these sectors were worth about \$1.5bn in 1981.

Sino-UK trade set for upturn, says Nelson

By Tony Walker in Peking

BRITISH TRADE with China appears set for an upturn, after several years in the doldrums. That, at least, is the view of Lord Nelson, chairman of the Sino-British Trade Council, who is visiting China.

Lord Nelson bas reasonable grounds for optimism. British companies appear well-placed to win a share of contracts in several of China's proposed development schemes and in the modernisation of sectors of Chinese industry.

Areas of promise for British industry eppear to include:

- Offshore oil development.
- A proposed nuclear power station for Guangdong province.
- A bnge coal development scheme in the south-west.
- Modernisation of existing industries by transfers of technology.
- The upgrading of coal mines aimed at doubling production to 1.2bn tonnes by the year 2000.

The General Electric Company of Britain, of which Lord Nelson is chairman, is part of a putetive Anglo-French consortium bidding to supply components for o twin 900 Megawatt nuclear power station in Guangdong Province, South China.

GEC would supply the turbines and Framatome of France would supply reactor technology for the project, estimated to cost ebout US\$6bn. China has decided in principle to go ahead with the scheme.

Lord Nelson said in Peking that after talks with Chinese officials, including Zhao Ziyang, the Premier, he was confident the project would go ahead.

"It is now for the Chinese to decide at an early data which nuclear reactor they require," he said.

The French company, be noted, had already done e lot of work in China. Lord Nelson expected that Hong Kong would not be enthusiastic unless e British company was involved in the project.

It is proposed the Hong Kong power utility, China Light and Power, and Guangdong province form a joint venture to build the power station. Foreign exchange costs could be paid over e 25-year period by the sale of power to Hong Kong.

Lord Nelson revealed that seinor officials from the Guangdong provincial government and from the Ministry of Electric Power in Peking would go to Britain and France this month for discussions on the nuclear power project.

"That event will be an important stage in reaching a decision," he said.

Lord Nelson's Sino-British trade group includes senior executives of such companies as Babcock Contractors, Gullick Dobson, and John Brown Engineers.

Sino-British trade in the six months to June this year showed business was running two-to-one in Chine's favour. British exports to China totalled £44.6m and imports were £100m. In 1979, trade was two-to-one in Britain's favour.

Lord Nelson said the Chinese had expressed the hope that British companies would become involved in the south-west coal development scheme. A four-nation consortium of West Germany, France, Belgium and Spain bas been formed to examine the feasibility of the Guizhou project in South China.

Foreign exchange costs of the project in the order of U.S.\$3bn would be paid in coal supplied under compensation arrangements to the four countries. As Birtain is not a coal importer it was not considered as a participant in the consortium, but Lord Nelson has been led to believe that British companies will take part in the scheme in "one form or another."

Another project touched on in the talks was offshore oil development in which British Petroleum is a frontrunner among companies poised to win exploration agreements and coal mine modernisation.

Airbus disputes Thai move to cancel A-300 deal

BY JONATHAN SHARP IN BANGKOK

AIRBUS INDUSTRIE has rejected an attempt by Thai Airways International, Thailand's flag carriar, to cancel two firm orders for the Airbus A-300 B4-600, airline officials say.

Last month the Thai airline announced it was dropping plans to buy the two Airbuses —which would have been its 11th and 12th purchases of equipment produced by the French-based European consortium. Instead it said it was opting for two of the new Boeing 767s.

A delay in delivering the Airbuses, resulting from late arrival of the U.S.-made engines, was given hy tha Thai's as the reason for the cancellation.

A dismayed Airbus Industrie has refused to accept the decision, and recently sent a telex to Thai Air threatening to withhold a refund of the airline'o downpayment of nearly \$3.5m, say airline officials.

In an effort to regain the order, Airbus bas offered to trim \$10m off the price of each aircraft, but so far Thai Air has shown no sign of changing its mind.

Airbus Industrie asserts that Thai Air could not cancel the contract for reasons which were beyond the aircraft company's control and not due to its fault or negligence.

Our World Trade Staff adds: The apparent loss of the deal to Boeing is a blow to Airbus, which in recent years has emerged as the U.S. company's toughest competitor for commercial aircraft sales. It is the first major deal by Boeing for its new 767 in the Far East in a year.

Minority financing for the deal is already being arranged by Japan's Export-Import Bank at a 9.2-per-cent interest rate, against majority financing at 10 per cent from the U.S. Export Import Bank. The two aircraft are reported to cost about \$120m.

- The U.S. Eximbank has started discussions with Alitalie of Italy on financing arrange- McDonnell-Douglas DC-9 Super 80 short-range aircraft, agencies report from Washington.

It is expected that the DC-9'o will be powered by twin-jet engines manufactured by Pratt and Whitney. Total value of tbe 30 aircraft package and related services could amount to about \$1bn.

World Economic Indicators

TRADE STATISTICS

		Sept. '82	Aug. '82	July '82	Sept. '81
UK £bn	Exports	4.761	4.386	4.546	4.473
	Imports	4.522	4.423	4.380	4.415
	Balance	+0.239	−0.037	+0.166	+0.058
U.S. \$bn	Exports	17.387	17.498	18.027	19.551
	Imports	20.644	23.494	19.559	21.274
	Balance	−3.257	−5.996	−1.532	−1.723
France FFrbn	Exports	52.7	52.6	51.8	49.9
	Imports	64.9	61.5	60.7	57.5
	Balance	−12.2	−8.9	−8.9	−7.6
		Aug. '82	July '82	June '82	Aug. '81
Belgium BFrbn	Exports	143.51	191.82	214.39	131.65
	Imports	180.19	188.28	226.52	184.48
	Balance	−36.68	+3.54	−12.13	−52.83
W. Germany DMbn	Exports	30.70	34.52	36.19	28.14
	Imports	28.00	30.78	31.43	28.20
	Balance	+2.70	+3.74	+4.76	−0.06
Japan Yenbn	Exports	2,694	3,048	2,785	2,678
	Imports	2,703	2,718	2,500	2,277
	Balance	−9	+330	+285	+401
		July '82	June '82	May '82	July '81
Italy Lirebn	Exports	8,780	8,720	8,039	7,867
	Imports	9,511	9,790	9,950	8,670
	Balance	−731	−1,070	−1,911	−803
		June '82	May '82	Apr. '82	June '81
Netherlands Flbn	Exports	15.00	13.80	15.70	14.86
	Imports	14.90	13.10	14.30	15.56
	Balance	+0.10	+0.70	+1.40	−0.70

Sources: Various

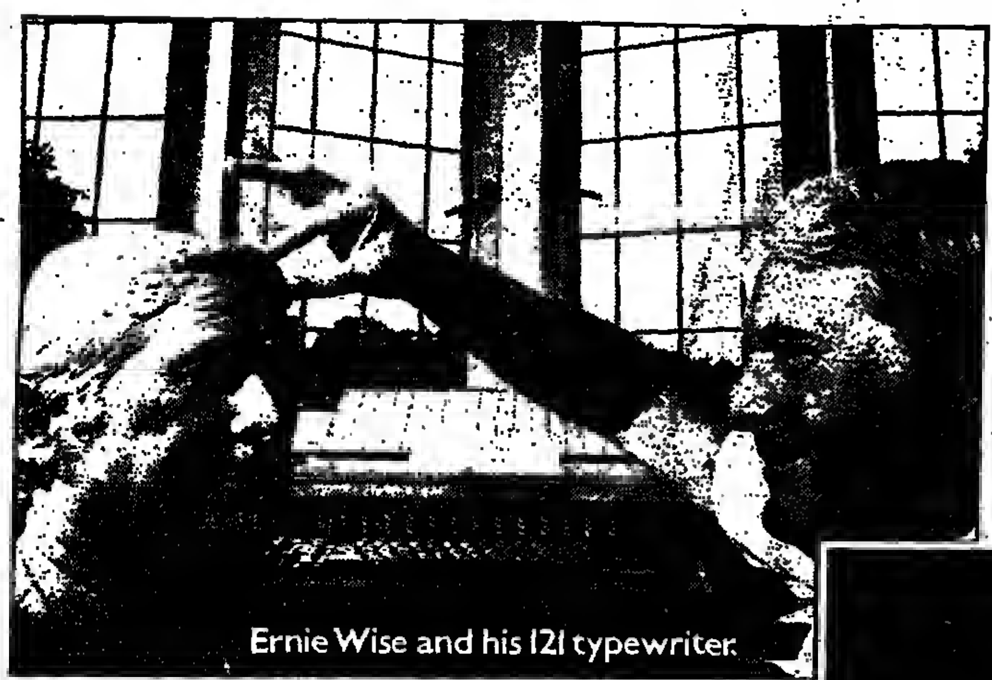
BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Hargrave Secs. Ltd.	9 %
Amro Bank	9 %	Heritable & Gen. Trust	9 %
Henry Ansbacher	9 %	■ Hill Samuel §	9 %
Arbuthnot Latham	9 %	C. Hoare & Co. †	9 %
Associates Cap. Corp.	10 %	Hongkong & Shanghai	9 %
Banco de Bilbao	9 %	Kingsnorth Trust Ltd.	11 %
Bank Hapoalim BM	9 %	Knowsley & Co. Ltd.	9½%
BCCI	9½%	Lloyds Bank	9 %
Bank of Ireland	9½%	Mallinhall Limited	9 %
Bank Leumi (UK) plc	9 %	Edward Manson & Co.	10½%
Bank of Cyprus	9 %	Midland Bank	9 %
Bank Street Sec. Ltd.	11 %	■ Samuel Montagu	9 %
Banque Belge Ltd.	9 %	■ Morgan Grenfell	9 %
Banque du Rhone	9½%	National Westminster	9 %
Barclays Bank	9 %	Norwich General Trust	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9½%
Bremar Holdings Ltd.	10½%	Roxburghe Guarantee	10 %
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9½%	Slavenburg's Bank	9 %
Canada Perm't Trust	10 %	Standard Chartered ‖	9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cavendish Gty Tst Ltd.	10½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9½%	TCB	9 %
Cedar Holdings	10 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9½%	Volkskas Intl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9½%
Citibank Savings ¶	10 %	Whiteway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	10 %	Wintrust Secs. Ltd.	10 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9½%		
Co-operative Bank *	9 %		
Corinthian Secs.	9 %		
The Cyprus Popular Bk.	9 %		
Duncan Lawrie	9 %		
E.T. Trust	9 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10½%		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1 month 5.75%. Short-term £8,000/12-months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%. £10,000 up to £50,000 6½%. £50,000 and over 7%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

Does your company need typewriters or word processors?

Take a line from people who write for a living.



Ernie Wise and his 121 typewriter.

When you think about it, who better than writers to discuss the pros and cons?

It's a subject they have at their finger tips. And one they explain with far more verve than we ever could.

Furthermore, they're on the side of the angels: they don't want to sell you anything.

So let's call first on Ernie Wise.

All right, Ernie? You're on:

Ernie Wise and his one liners.

"When the goddess of inspiration rests her gentle hand upon my shoulder and the pages of great drama unfold before my eyes, my Olivetti wondrously facilitates the plays wot I write."

Ernie uses the 121, our basic electronic typewriter.

It's quieter than the old electric machines and has far less to go wrong. (The golf balls use some 2500 moving parts, our electronic typewriters have just 100.)

We replaced all the old levers, swivel joints and springs with sensors and microchips. And instead of handfuls of clattering keys, we use a daisy wheel with the letters on little stalks.

"I spend hours every week typing out jokes onto a card index. I never throw anything away. I have jokes going back 20 years (no funny remarks please, I'm the comedian).

Although the 121 *can remember one line*, I'm thinking of upgrading it with an outside memory so I can put all my jokes on file."

Jilly's agony in the garden.

(We don't have room to feature a writer who uses one of our most popular typewriters, the 221, which can store two lines of type.

Nevermind, we have a similar machine that can remember seven pages, the 231, and this is the one Jilly Cooper uses.)

"Because my articles read easily people think writing comes easily to me. In fact, I agonise over every word.

I write and re-write and re-re-write dozens of times as the chaos of my mind comes to order on the page.

The labour involved! Whoever invented the phrase 'I wore my fingers to the bone' must have been a writer on an old manual.

To save time I used to cut up the good bits and sellotape them together, often ending up with an Andrex of typescript. Now my Olivetti memorises everything I write. I can edit on the machine. Boss it around. 'Take this out, put this in, print it.' And it will, incredibly quickly.

My neighbours are relieved I've got an Olivetti too. In summer I work in the garden (trailing yards of electric cable). My old typewriter was like a machine gun. But even outdoors my Olivetti sounds as if it's behind double glazing."

Above it all in London. Away from it all in Barbados.

"I have a great idea for your advertisement. The headline *says*: 'I would never under any circumstances use a word processor. But my secretary was sure glad when I bought an Olivetti'."

(As Mr. Archer seems to have the golden touch we didn't argue.)

"I write most of my books long-hand in Barbados. When I return to my London flat I give each page to my secretary who types a perfect, clean, pristine draft.

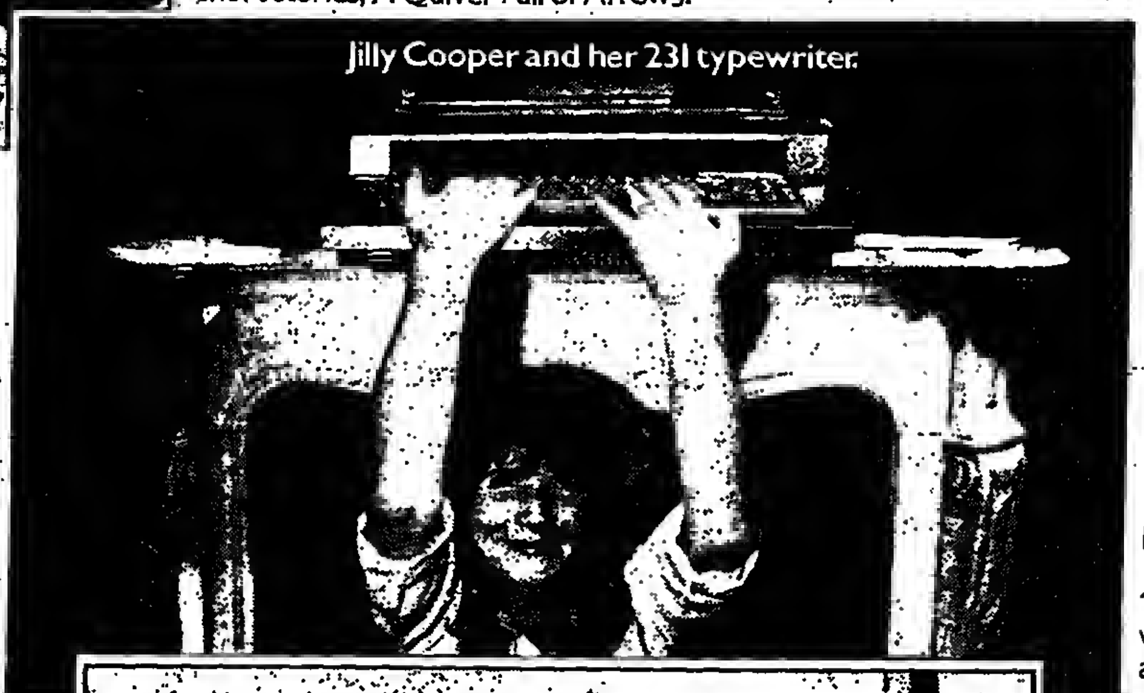
I then write all over it. The pages look like a spider's web. And she re-types it.

Even if I just change a comma I like it typed again. The neatness challenges me to improve it."

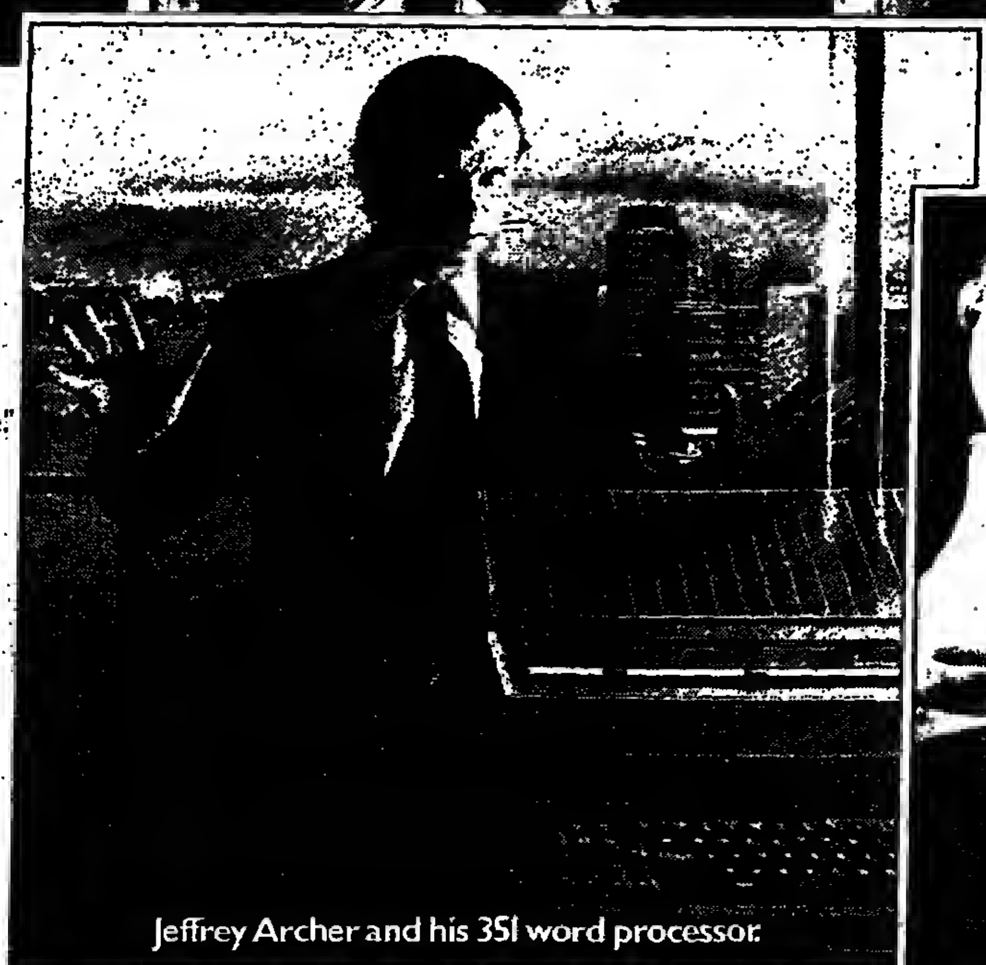
The machine which responds to this challenge is our first machine with an external memory bank, the Olivetti 351.

It stores information on floppy disks each of which can memorise fifty pages (and you can change disks in a second) so you can build up a filing system in negligible space.

Six disks and you have the whole of Kane and Abel. Another five and you have Jeffrey Archer's latest book of short stories, A Quiver Full of Arrows.



Jilly Cooper and her 231 typewriter.



Jeffrey Archer and his 351 word processor.

In other hands, the same disks can store the entire house conveyancing documents; the usual will; insurance contracts, in fact, any standard letter or document.

All you have to do is tell the word processor what changes you need to make the document an individual one. Cleverly and speedily it will type in new names, new paragraphs, new headings, respacing the pages as it goes.

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"If I'm describing a character I will put that piece of writing into a 'Save' file on the machine.

Each character has his own section. So whenever I want to check how I described him at various times over the last year, I'll tell the word processor to print out every word I've written about the character.

As my books have an historical background, they have to be accurate. If at the end of a book I find I've got a date wrong throughout, I can tell the machine to search out every wrong date and correct it.

I researched my latest book, 'Good Bye Mickey Mouse' for seven years, and used an Olivetti word processor as a sort of computer storing all relevant detail.

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Len Deighton and his 1010 word processor.

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olivetti

Hoteliers wake up to the trend towards king-sized sleeping

BY ARTHUR SANDLES

THE DOUBLE bed is making a come-back. Hotels from Aberdeen to Albuquerque, Hong Kong to Hamburg, are finding that travellers are returning to an old-fashioned habit—sleeping together.

The Holiday Inn chain was first to note the trend on an official basis.

"Over the past two years it has become particularly noticeable," says the biggest hotelier in the world, based in Memphis, Tennessee.

"When two people take a room, more and more we are finding that only one bed is slept in."

The trend is as strong in luxury city centre hotels as in country inns.

"It is true. We are getting a very strong demand for double beds these days, people are insisting on them, particularly American travellers," says London's glossy Bristol hotel.

Crest Hotels, which has properties up and down the English countryside, is baffled by the trend. Crest customers travelling together seem reluctant to part when the lights go out. All the group's new beds are double.

Even Trust House Forte, always a little coy when there is a hint of naughtiness, admits that the togetherness habit has bit their properties as well.

It seems that business travellers are the ones who are really into large beds.

Some hoteliers reckon it is because more companies are allowing executives to travel with their spouses; that executives are younger than they used to be; and that the 50s and 60s fad for separate sleeping has given way to the king-sized era of an earthy acceptance that it is nice to be near.

The move has considerable economic implications, not least for bed makers and hotel room designers.

A one-bedded room is easier to furnish, and it is easier to add a child's bed if parents bring offspring.

Even the solo traveller seems to like a bit of spacious sleeping these days, so the writing may be on the wall for the single bed.

Bed manufacturers which supply the hotel trade report a move towrads the bigger bed, both single and double.

"Larger beds are definitely increasing," said Mr David Micks, chairman of Bernard Hicks which supplies Trust House Forte, among others. "If you'd spoken to me seven-to-10 years ago, the orders would have been higher demand for beds which zip together, especially from the five star hotels."

Hotels in this country were moving towards the Continental metre-sized bed which is three inches wider than its British counterpart. Many of them zip into 6ft 6in doubles. Some hotels were choosing 5ft-wide double beds instead of the old 4ft 6in, Mr Hicks added.

Mr Michael Heal, chairman of Staples, which supplies the British Transport Hotels, said there had been a considerable move towards the zipped bed.

Egon Ronay attacks theatre catering

BY ALAN FORREST

LONDON'S new Barbican arts centre is one of many UK theatres attacked for poor catering standards in the new edition of one of Britain's leading good food guides, published today.

The 25th annual Egon Ronay Lucas Guide says the Barbican's Waterside Restaurant serves dismal food and says: "Catering standards are deplorable at the world's finest theatres, the food indifferent and inedible."

Out of 37 theatre buffets and restaurants surveyed, only two are given good marks, Hammersmith Lyric and the Greenwich Theatre, 22 were appalling or poor, the rest acceptable.

The guide rates the menu at Glyndebourne "ostentatious" with the food varying from tasteless to overcooked. It describes the experience of eating at Liverpool Playhouse as unrelenting horror.

It says the tea at the National Theatre is like awful, murky water and the Circle Bar at the Royal Court is called drab and dirty.

Looking at the changes in hotels in his 25 years as a good food guru, Mr Ronay says: "While hotels are now more efficiently run, as they have grown so much in size, they have also become sadly depersonalised."

In the guide's hotel ratings, The Ritz has slipped back from its last year's No 1 position in the de luxe category.

Its entrance corridors "now filled with tea tables satisfy the hotel's accountant rather than its guests, and reception and housekeeping are not what they used to be," said the guide.

The Ritz has now been overtaken by the Berkeley, Claridges, the Connaught and the Dorchester, which all tie as London's best.

**Egon Ronay's Lucas Guide, 1983, to Hotels, Restaurants and Inns, Great Britain and Ireland. Mitchell Beazley, £8.95.*

Minet to hold inquiry into transfer of premiums

By John Moore,

MINET HOLDINGS, one of Britain's largest insurance broking groups, which is to be investigated by the Department of Trade, is to announce the composition of its own inquiry into its affairs tomorrow.

Minet's move comes after last week's concern at Lloyd's of London about the channelling of $40m in the form of reinsurance premiums over a five-year period from underwriting syndicates under the management of PCW Underwriting Agencies, part of the Minet group.

Lloyd's ruling committee has organised its own inquiry to establish the identity of the beneficial ownership of companies which received the reinsurance premiums in Liechtenstein, Guernsey, Gibraltar and the Isle of Man.

The money was channelled to these companies through insurance interests which have links with another insurance broker, Alexander Howden Group.

As soon as last week's problems became apparent, Lloyd's chairman, Sir Peter Green, insisted that Mr John Wallrock, chairman of Minet Holdings, take over the executive chairmanship of the PCW agency company.

Minet is now attempting to identify the scale of the problems, but its task last week was hampered by the removal of 12 cases of documents from the agency company.

An underwriting agent, Thomas R. Miller, which had introduced members of Lloyd's to PCW syndicates, had gained a court order against the chairman of PCW, Mr Peter Dixon.

The documents were removed once the court order had been obtained.

Treasury aims to penalise councils

BY ROBIN PAULEY

THE TREASURY, which has been mounting an increasingly successful campaign to wrest responsibility for local government finance away from Mr Michael Heseltine's Environment Department, has again intervened to try to impose much stiffer penalties on councils for overspending next year than Mr Heseltine wants.

The Environment Department has proposed that grant should be withdrawn from councils next year at the rate of 1p in the pound for each of the first two percentage points of spending over the Government target.

Thereafter the grant loss would be either 3p or, in the more severe option, 5p for each percentage point of overspending. Unlike this year, there would be no limit to the amount of grant which could be lost.

The Treasury has successfully insisted that a third option be included for discussion—loss of grant at the rate of 4p in the pound for each and every percentage point of spending over target.

It accepts that this option has no chance of success but intends it to act as a lever to ensure that the eventual inevitable compromise will be much tougher than if only Mr Heseltine's two options were available.

Annoyance within the Environment Department at persistent Treasury interference is matched by Treasury annoyance about three years of failure to control local government current expenditure.

An extra £1bn had to be added to this year's current expenditure targets for "realism" to take account of the very large overspending and £900m has been included for 1983-84.

Unlimited grant loss could leave many councils with no grant. This could put hundreds of pounds extra on some rate bills in an election year, something the Government is anxious to avoid. Any compromise involving more than a 1p penalty for the first two points of overspending will be an outright Treasury victory.

Mr Heseltine has included a mild penalty for the first two points over target to ease an embarrassment caused by another hardline approach from the Treasury. Councils have two contradictory targets each year; the Government's cash target and the Government's assessment of how much money a council needs to spend to provide a standard level of services (grant related expenditure assessment).

This year, councils spending over target but under the assessment have been exempted from penalty at a cost of about £700m. Mr Leon Brittan, Treasury Chief Secretary, insisted the exemption had to go in the deal for 1983-84.

Mr Heseltine accepted the deal, expecting furious attacks from the shire Tories, key supporters in an election period, which would enable him to return to Cabinet to argue that the exemption would have to be allowed.

To his surprise the co-ordinated backlash failed to materialise. But Mr Heseltine wants to avoid the shire Tories being blamed for high rate rises. His proposed 1p penalty for the first two points over target would take in most Tory counties' expenditure levels over target in 1983-84 and is a relatively mild punishment.

Government backs action to curb video pirates

BY PETER RIDDELL, POLITICAL EDITOR

ACTION against video pirates and moves to liberalise Sunday shopping laws are likely to be pressed by Government ministers on MPs successful later this week in the ballot for private members' Bills.

The ballot will also be closely watched by the Consumers' Association and the National Consumer Council, which have been particularly successful in recent years in having their proposals taken up by MPs high on the ballot and then enacted.

Only those MPs winning the first few places in the ballot stand much chance of their proposals becoming law.

There is the added complication this session of the possibility of an early summer election next year. This would certainly kill almost all such Bills before they had completed their legislative passage.

Several members from all sides of the Commons feel strongly about "video nasties," especially of a pornographic or violent nature, and about the piracy of copies of films and television programmes on video.

Sunday trading is a much more contentious issue and several attempts to remove restrictions have failed because of the opposition of sabbatarians and MPs supporting USDAW, the shopworkers' union.

Mr Timothy Raison, the Minister of State at the Home Office, said last week that the Government would give tacit support to any private member's Bill to allow Sunday trading and longer shop opening hours.

Michelin staff denied pay rise

MORE THAN 6,000 workers at the Michelin UK tyre company at Stoke on Trent were told at the weekend that the company could not afford to pay their annual wage increase this January. Michelin suffered a £2.6m pre-tax loss in the first six months of this year and 4,500 of the workforce are already on four-day working.

The company said, "everyone has been informed of the situation. Sales are depressed and we can't see any immediate improvement."

New agreement close on nuclear installations

BY DAVID FISHLOCK, SCIENCE EDITOR

A MAJOR new international initiative involving Britain and the U.S., to guarantee that civil nuclear installations are not used to make nuclear weapons materials, is near agreement.

Mr James Devine, deputy assistant secretary for state for nuclear energy, on a visit to London, said six nations were planning gas centrifuge enrichment factories—the UK, West Germany, the Netherlands, Australia, Japan and the U.S. They, with the inspectorates of Euratom and the International Atomic Energy Agency, are participating in the Hexapartite safeguards project.

He said: "Much progress has been made, and we hope to be able to announce the successful conclusion of this project early next year."

It is thought that the Hexapartite project has pinpointed all the critical components and test equipment required in setting up gas centrifuge factories.

This is needed to strengthen assurances against their purchase by nations which refuse to accept full-scope safeguards on their nuclear facilities.

The U.S. is also trying to persuade all nuclear supplier nations to accept that a potential customer for the critical parts and equipment must first agree to full-scope safeguards.

Mr Devine said the U.S. Government has lost none of its confidence in full-scope safeguards. This hints at a readiness to be scrutinised by international inspectors since its IAEA general conference walk-out in Vienna in September.

Mr Devine said that the walk-out came because the U.S. feared the agency was becoming so "politicised that it would soon be unable to apply international nuclear safeguards effectively."

He stressed that the Reagan administration was just as committed to the prevention of the spread of nuclear weapons as the previous administration.

The U.S. is working to tighten export controls, to promote broader acceptance of safeguards to urge meaningful actions when agreements are violated, and to strengthen the International Atomic Energy Agency.

A Soviet delegation on nuclear safeguards is visiting Washington next month. Although the USSR did not support the U.S. in Vienna, its position on nuclear proliferation has been more firm and consistent than that of the U.S.

It is thought that the U.S. will discuss with the Soviets the consequences of its walk-out.

As its major contributor, the absence of the U.S. would be a severe blow for the agency's safeguards programme.

UK NEWS

NEB improves performance in first half

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE National Enterprise Board substantially improved its financial performance during the first half of this year, reducing its loss before taxation to £5.1m from £11.9m in the first six months of 1981.

This was partly the result of disposing of its problems in the Nexos office systems subsidiary which had a loss of £4.7m pretax in the first half of 1981.

These results are published this morning in the consolidated profit and loss account of the board, which is part of the British Technology Group.

The accounts of the NEB, which only include the actual profits and losses of its direct investments, showed a profit before tax of £2.1m compared with a profit of £3.5m in 1981.

Sir Freddie Wood, chairman of the board, said last night: "Although it is unfortunate that the NEB's companies continued to make a loss in the consolidated accounts, I take some comfort from the fact that the loss before tax was less than half that in the comparable period of 1981".

The cut in the consolidated account losses was achieved despite continued heavy expenditure on Inmos, the microchip subsidiary whose development expenses appear in the accounts as a loss of £10.7m before taxation compared with a loss of £5.4m in 1981.

Inmos is now approaching a cash crisis and urgently needs about £10m from the NEB or some other source. Discussions are now taking place between the board and the Government on how this can be achieved.

Ona option is for the board to sell its staka in United Medical Enterprises, a private hospital company, whose profits in the half year rose to £5.6m compared with £4.7m in the same period of 1981.

Data Recording Instrument's losses dropped from £4.6m to £1.1m and British Underwater Engineering, which makes submersible vessels, went from a loss of £1.9m to a profit of £800,000.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months to 30 June 1982 (unaudited)

	1982	1981
	£ million	
Turnover	66.4	59.2
Operating loss before interest (after charging deprecation £4.1m; 1981 £4.1m)	(5.0)	(14.2)
Share of losses of associated companies	(.6)	(.8)
	(5.6)	(15.0)
Interest payable less (receivable)	(.5)	(3.1)
Loss before taxation	(5.1)	(11.9)
Taxation	2.8	5.1
Loss after taxation	(7.9)	(17.0)
Minority interests	(1.8)	(.2)
Loss before extraordinary items	(8.9)	(17.2)
Extraordinary items (see note)	.1	1.6
Loss after extraordinary items	(8.8)	(15.6)

NOTE
Extraordinary items comprise:

	1982	1981
Profit on translation of overseas assets and liabilities	.1	1.7
Formation Expenses	—	(.1)
	.1	1.6

ABTA aims to attack discount airline companies

By Arthur Sandles

AIRLINES which offer discounted tickets through bucket shops face the prospect of an official blacklist circulating among High Street retailers in Britain.

Although it is illegal for trade associations to organise boycott of suppliers in tha UK, the Association of British Travel Agents is compiling a list of offending airlines and will make it available to members who may take any action they choose.

Mr Gerry Fernback, ABTA retail council chairman, said: "We hope that at last we can get to grips with discount airline tickets. It is time we showed very clearly that we are going to support those airlines that have an intelligent marketing policy." "Intelligent marketing refers to those airlines that publish tariffs and stick to them.

Mr Fernback said he did not think much of the recently announced British Airways and TWA lower fares on the North Atlantic ronte. He said to reduce fares when business was so bad was "simply ridiculous."

Behind the renewed attack on bucket shop tickets is the general travel agency concern about falling margins. Although there are more travellers than ever, they are spending less on their trips and holiday prices are not rising as fast as inflation. Thus, travel agents who survive on a fixed percentage commission are receiving a decreasing income.

The situation is made worse by the late booking trend. Mr Ivor Elms, ABTA President, speaking at this year's ABTA convention in Cannes, said there was "an unprecedented rush from consumers for August and early September packages" this year. Without money in the bank early in the travel year, travel agents and tour operators suffer cash flow problems which puts further pressure on their margins.

The margin problem is likely to preoccupy delegates at the conference which continues this week. Delegates are likely to be told that ABTA is negotiating with the airlines to produce a scheme whereby money is paid in advance by tour operators and travel agents would be protected if an airline ceased trading.

There is no doubt that many of the delegates in Cannes believe that there will be fewer airlines in existence this tima next year.

● James McDonald writes: Expanding business travel has offset partially a decline in the past five years in the volume of tourists at the world's leading hotels, according to the latest annual survey by Horwath and Horwath International, hotel consultants.

The survey, based on a worldwide sample of nearly 600 hotels, shows that the percentage of guests travelling for pleasure dropped by more than 21 per cent in 1981 from 1980.

"As a result, hotels experienced a 3 per cent drop in occupancy last year compared with 1980, which itself experienced a 9 per cent fall over the previous year."

In the five years from 1977 to 1981, the survey shows an average annual rate of decline in the tourism business at hotels of an "astounding 9.4 per cent."

World's biggest oil platform is brought on stream

Ray Dafter reports on the North Sea's £1.1bn luxury floating hotel

THE WORLD'S biggest oil production platform has been brought on stream in the North Sea to provide an important boost to UK and Norwegian oil and gas supplies.

The £1.1bn Bravo platform of tha UK-Norwegian Statfjord Field is currently earning gross revenue of well over £1m a day through the daily prodnction of 55,000 barrels of oil. At peak prodnction early in 1984, the platform should be producing about 180,000 barrels a day. The field straddles the median line of the North Sea with the majority of reserves—estimated to be soma 84 per cent of the total—allocated to a Norwegian consortium of companies, led by Mobil.

Statoil, the Norwegian state oil corporation with the biggest stake in the field, claims that the platform, weighing well over 800,000 tonnes, is the heaviest man-made object ever to have moved on the face of the earth. Although made of concrete tha structure contains enough reinforcing steel to build three more Eiffel Towers.

But the platform is not only big: it is also luxurious by offshore oil industry standards. Some seasoned oil men claim that the 700 currently employed on the Statfjord Bravo project are being pampered.

The platform operators wear special shoe covers, to protect the wall-to-wall carpet in their accommodation units. In their spare time they can watch a different film each day in their cinema, keep themselves trim in the exercise room, relax in one of the platform's saunas, or dance in the disco.

Dances are held once a fortnight on the floating hotel berthed alongside the platform. It is a mixed social as about 50 women are employed on Statfjord Bravo. And, though there is no alcohol, it is easy to feel slightly tipsy on a floating hotel, rocking in waves lashed by near-hurricane force winds.

Senior officials on the project estimate that only 15 per cent of the structure's weight and cost are directly associated with oil and gas production. The remainder is needed for support services.

Companies now are beginning to ask how long they can afford to build and service increasingly sophisticated offshore production units with oil prices likely to fall in real terms.

But the Statfjord consortium of companies bas more pressing matters on its mind. It must soon decide whether or not to build a pipeline to carry natural gas from the UK portion of the field. Oil is taken from the field by tankers, and gas in the Norwegian part of the field is to be carried to Germany by means of a new pipeline. At present commercial quantities of gas produced from the field are being re-injected into the reservoir while the pipeline is being built.

The consortium has the option of either building a special pipeline for the UK gas, thought to amount to about 12bn cubic metres, or they can transport it to the Continent along with the Norwegian share. The partners know that British Gas wants the UK share and, under Government regulations, is entitled to demand that all gas produced in the British sector be sent to the UK.

Industry looks for stimulus as heavy vehicles sales remain low

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SALES of heavy commercial vehicles (over 3.5 tonnes gross weight) showed no sign of moving out of the doldrums in October. The industry hopes the Government's announcement that the maximum permitted weight of trucks is to be lifted from 32.5 to 38 tonnes will stimulate the market.

However, the determined opposition the legislation faces from some quarters means customers are unlikely to place major new orders until the measure has been passed by Parliament. The industry will he pushing Mr David Howell, Transport Minister, to hring the legislation forward as fast as possible.

Statistics from the Society of Motor Manufacturers and Traders show that in October registrations of commercial vahicles over 3.5 tonnes gross ran at about the same level as in October 1981—4,079 compared with 4,082.

For the first 10 months of the year sales were 1.16 per cent ahead of those in the same period of 1981, at 38,344 against 37,902. The 1981 figures were the worst for 30 yaars.

Total commercial vehicle sales in October rose nearly 4 per cent, from 19,275 to 20,027, and for the first 10 months were 5.2 per cent higher, at 195,260 against 185,584.

The importers' share of the market during October fell from 35.4 to 30 per cent while in tha 10-month period it was down from 31.4 to 30.2 per cent.

The most buoyant part of the market was that for light vans which rose 9.28 per cent from 50,303 to 54,976 in the 10 months. Sales of medium and heavy vans rose nearly 7 per cent from 84,019 to 89,843.

UK CAR REGISTRATIONS

	October				January-October			
	1982	%	1981	%	1982	%	1981	%
Total UK produced	58,503	44.87	47,591	42.94	578,927	42.12	583,693	44.13
Total imports†	71,894	55.13	63,237	57.06	795,481	57.88	739,067	55.87
Total market	130,397	100.00	110,828	100.00	1,374,408	100.00	1,322,760	100.00
Ford*	42,549	32.63	37,618	33.94	413,689	30.10	403,975	30.54
BL*	22,749	17.45	18,671	16.85	246,118	17.91	256,811	19.41
General Motors—Vauxhall-Opel*	16,577	12.71	8,873	8.01	158,505	11.53	109,120	8.25
Peugeot Group—								
Talbot*	3,214	2.46	4,516	4.07	51,079	3.70	62,530	4.72
Citroen	1,601		2,151		21,711		24,101	
Peugeot	2,281		1,158		17,429		15,893	
Total Peugeot	7,096	5.44	7,825	7.06	90,219	6.56	102,524	7.75
Datsun	8,269	6.34	4,921	4.44	84,720	6.16	81,718	6.18
WV-Audi	7,406	5.68	7,141	6.44	81,593	5.94	73,053	5.52
Renault	4,512	3.46	4,654	4.20	57,981	4.22	63,820	4.82
Volvo	3,723	2.86	4,065	3.67	45,471	3.31	38,822	2.93
Fiat Auto	3,150	2.42	5,851	5.28	43,620	3.17	55,535	4.20

* Includes cars from companies' Continental associates which are not included in the total UK figures.
† Includes imports from all sources including cars from the Continental associates of UK companies.
Source: Society of Motor Manufacturers and Traders

OBITUARY

Lord Netherthorpe

LORD NETHERTHORPE, the 46-year-old former businessman Mr Andrew Turner and Dalgety chief executive, died in a car accident on November 4 only days after being appointed part-time director of Britoil.

Educated at Rugby and Cambridge and a chartered accountant by training, he joined merchant bankers Lazard Brothers in 1961 after three years with Peat Marwick Mitchell. Seven years later he became head of the bank's corporate finance and was appointed a non-executive director of Dalgety.

In 1971 he was made an executive director of Lazards but a year later relinquished his executiva function to become executive vice-chairman of Dalgety. His first task at Dalgety was to fend off a takeover approach from Ralli, when Dalgety bad a market value of only £15m.

He was appointed group chief executive in 1975 and before leaving this post at the end of 1981, he oversaw the acquisition of Spillers by Dalgety whose market capitalisation had grown to £250m.

Lord Netherthorpe, who succeeded to his father's title in 1980, returned to Lazards this year as an executiva director. He was also for 10 years a non-executive director of Babcock International and at the time of his death he held non-executive directorships with BNOC, Dalgety, and the U.S. Debenture Corp.

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Inflation could fall to 3½% says broker

By Our Economics Correspondent

THE ANNUAL inflation rate could fall to as little as 3½ per cent in the spring, according to projections from James Capel, broker.

However, Capel says this rate would he achieved only if economic activity remained very sluggish and if the Chancellor decided not to increase duties on tobacco and alcohol in the spring budget.

The broker believes it is more likely that consumer spending will pick up next year with a total increase of 3½ per cent by volume for the year as a whole. On this assumption the inflation rate is expected to be about 4½ per cent by May, or just more than 4 per cent if excise duties were left unchanged.

After the spring, according to its November Economic Assessment, Capel expects inflation to accelerate again to reach a rate of 7½ per cent by the end of next year and 7.8 per cent by the fourth quarter of 1984.

Capel's views about the trend of inflation are broadly in line with those of most independent forecasters and Staniland Hall, economic consultants, whose quarterly forecast is published today.

Staniland Hall expects the inflation rate to fall to a low of 6½ per cent in the second quarter of next year but to rise after to an annual rate of 9 per cent in the first half of 1984.

Both expect unemployment to rise next year.

Output likely to rise from 1983

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

	1982	1983	1984	1985	1986
ANNUAL % CHANGE					
Output	0.3 (1.0)	2.0 (2.8)	2.0 (2.2)	1.7 (1.6)	2.1
Consumers' expenditure	0.3 (0.6)	2.0 (1.9)	1.4 (1.2)	1.4 (1.2)	1.9
Exports	−0.9 (0.4)	3.5 (6.1)	3.3 (3.8)	2.8 (2.5)	4.1
Imports	3.7 (8.5)	3.8 (5.4)	4.2 (3.1)	2.4 (1.7)	2.2
Consumer Prices	8.5 (9.4)	6.8 (7.4)	8.4 (9.1)	9.3 (11.2)	9.9
Money supply (sterling M3)	10.9 (10.9)	11.7 (11.8)	10.5 (11.6)	11.3 (12.8)	13.6
FINANCIAL YEAR					
PSBR (£bn)	8.0 (8.8)	9.7 (9.6)	9.8 (8.4)	10.3 (8.6)	8.5
ANNUAL AVERAGE					
Wholly unemployed (UK, m)	2.9 (2.9)	3.2 (3.1)	3.2 (3.1)	3.2 (3.0)	3.1
ANNUAL TOTAL					
Balance of payments (£bn)	2.5 (2.2)	1.5 (2.9)	0.1 (3.7)	−0.2 (4.8)	−0.1

THE British economy has remained in recession this year but output should start to grow from the beginning of 1983, the London Business School's Centre for Economic Forecasting says in its October Outlook published today.

The centre's expectation of recovery is based on its view that the authorities in the UK and the U.S. are adopting a looser stance for economic policies end it believes world demand is to expand.

The centre expects output to rise in the current year by only 0.3 per cent, compared with last year's level. This is in spite of industry no longer running down stocks and a considerable boost to demand from people spending more in relation to savings.

The centre says: "However, it is foreign output which has benefited most as imports have surged on the back of a strong exchange rate. At the same time the double-dip world recession has hit UK exports which are losing market share.

The tightening of monetary policy in the autumn of last year helped to dampen growth, the centre says. It was also slowed by the involuntary tightening of fiscal policy when large amounts of tax were recouped after the civil servants' strike.

The centre believes that a recovery in the world economy will depend critically on the policies of the major countries. It says the unexpected pause in the world's recovery in 1981-82 is similar to that which occurred in 1976-77.

However, the forecasters warn that a world recovery would be insufficient to ensure that the U.K. economy would grow, in spite of encouraging signs last year that UK recovery was being led by exports end investment.

They believe consumer spending, by contrast, is providing the main increase in demand.

The forecasters say: "We believe that tax cuts will occur because the Government is committed to lower taxes and the next election is approaching; because cutting taxes is an attractive way of securing an increase in demand without a rise in real wages that could further threaten profitability and employment; and because there appears to be scope for lower taxes while maintaining the broad objectives of the Medium Term Financial Strategy."

They believe the room for manoeuvre in the next Budget has been increased by the recent tendency for the public sector borrowing requirement to undershoot its target.

The easier trend of public borrowing has resulted from several factors:

- Public sector price and wage increases have been at or below the national average.
- Employment in the public sector has been stabilised.
- Public investment has been cut.
- The depressing effect on government revenues of low output heve been offset by buoyant revenues from North Sea oil.

The LBS believes the Government should be able to allow some increases in public consumption and investment next year. It should also be able to cut two percentage points off the standard rate of income tax and to consolidate the National Insurance Surcharge at 2 per cent (½ percentage point below its present official rate).

The forecasters expect the fall in interest rates to push the growth of the money supply to the top of its target range this year or perhaps over the top. It also expects the exchange rate of sterling to fall.

It says the pound is likely to be helped downward by weaker real oil prices and a deteriorating balance of payments current account.

Total exports are forecast to recover from their 1 per cent decline this year and to grow by 3½ per cent next year. However, imports are forecast to rise even faster than exports.

The centre has revised its projections for inflation downwards significantly since its June forecast.

It believes consumer price inflation will fall to an average annual rate of 6.8 per cent next year. However it expects the rate to drift upwards to nearly 10 per cent in 1986. This compares with the Government's most recent forecast that retail price inflation will have fallen to an annual rate of 5 per cent by next spring.

Company profits, which fell this year after a sharp recovery from very low levels last year, are expected to rise.

The centre concludes: "The price of the profit recovery is a continued fall in employment. As long as the real wages of those in work continue to increase, the necessary shift of national income from wages to profits can only he achieved by shedding labour."

The centre bases its forecast on the assumption that fiscal and monetary policies will be appreciably relaxed compared with the assumptions in the Medium Term Financial Strategy published at the time of the last Budget.

* *Economic Outlook 1982-1986 Vol. 7 No. 1 October 1982 from London Business School Centre for Economic Forecasting, Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire GU11 3HR. Subscription £75 (Europe $160, other countries $200).*

Scope for cutting unemployment underlined by economists

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

OUTPUT, UNEMPLOYMENT AND INFLATION

	November 1979 GDP % change	November 1979 Unemployment GB	November 1979 Inflation % change	October 1982 GDP % change	October 1982 Unemployment GB	October 1982 Inflation % change
1980	−1.1	1.3	15.5	−2.9	1.6	15.9
1981	0.8	1.5	11.2	−2.5	2.5	10.9
1982	1.7	1.7	8.1	0.3	2.8	8.5
1983	2.7	1.9	6.8	2.0	3.1	6.8

THE GOVERNMENT has a much greater scope for choice between promoting lower unemployment and lower inflation than Treasury Ministers have suggested, says a special article in the latest issue of Outlook.

The article, by Professor Alan Budd, director of the LBS Centre for Economic Forecasting, and Dr Geoffrey Dicks says that although inflation may be a cause of unemployment in the long term, there is "an inescapable short-term choice to be made between reducing unemployment and reducing inflation."

In the long term they say that high inflation may have made the economy less efficient than it would otherwise have been by obscuring relative price changes. They also say that there is a strong case for reducing inflation because companies may be less likely to invest during periods of financial instability.

They comment: "Those costs cannot be attributed entirely to the Government's counter-inflationary policy, but we would now recognise that there is considerably more inflexibility in the UK labour market than we formerly believed . . . It is proving very difficult to reverse the inflationary expectations of the last decade."

They conclude that although the Government is right that there is little long-term choice to be made between high unemployment and high inflation, it is wrong to argue that this removes the short-term policy choice.

However, they say that although high inflation since the war probably has contributed to the rise in unemployment, there are other causes at work as well.

Consequently, they say: "The ending of inflation on its own is unlikely in our opinion, to restore the growth rate of the 1950s and 1960s."

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	The Kensington Antiques Fair (04868 22562) (until Nov 9)	Kensington
Nov 7-10	Camping and Outdoor Leisure Exhibition (Ruislip 34191)	Harrogate Exhibition Centre
Nov 10-20	Indian Trade Exhibition (01-836 8484)	Olympia
Nov 11-21	Caravan Camping Holiday Show (01-222 9341)	Earls Court
Nov 12-14	Unlisted Securities Market. The 1982 USM Event (02556 6534)	World Trade Centre St Katherine's Dock
Nov 13-21	Daily Mail International Ski Show (0634 47111)	Earls Court
Nov 14-17	Advanced Technology and Automation Exhibition (01-739 8973). In tandem with Times and Sunday Times Business to Business Exhibition (01-729 0677)	Belle Vue, Manchester
Nov 14-17	International Furniture Show (01-724 0851)	Birmingham
Nov 15-18	Health and Safety at Work Exhibition (01-888 7788)	Wembley Conference Centre
Nov 16-18	The Industrial Corrosion Prevention Exhibition Correx '82 (01-885 7777)	Cunard Hotel
Nov 16-19	Compec Exhibition (01-643 8040)	Olympia
Nov 24-25	Business Equipment and Services Exhibition (0202 20533)	Holiday Inn, Bristol
Nov 25-27	Northern Computer Fair (01-643 8040)	Bell Vue, Manchester
Nov 29-Dec 4	Public Works Exhibition and Congress '82 (01-637 2400)	Birmingham
Dec 1-5	World Travel Market Exhibition (01-643 8040)	Olympia
Dec 6-10	Royal Smithfield Show and Agricultural Machinery Exhibition (01-235 7000)	Earls Court
Dec 7-9	North of England Electronics Exhibition ELECTRO-NORTH (08823 4371)	Harrogate Exhibition Centre
Dec 7-9	The Information Technology and Electronic Publishing Exhibition (Oxford (0865) 73027)	Cunard Hotel
Dec 9-10	UK Tax Congress and Exhibition (0403 56113)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Middle East Construction and Municipal Services Exhibition (01-935 8200) (until Nov 10)	Jeddah Expo Centre
Nov 9-13	Seventh International Sheet Metal Working Exhibition (0727 63213)	Essen
Nov 9-13	International Trade Fair for Computers and Assemblies in Electronics—Electronica (01-486 1951)	Munich
Nov 14-19	Middle East Building and Construction Industry Show and Conference (01-486 1951)	Bahrain
Nov 15-22	International Fair of Machinery and Techniques for the Meat Industry MATIC (01-439 3964)	Paris
Nov 21-23	International Footwear and Leather Goods Exhibition (28.27.92-21.58.67)	Florence
Nov 30-Dec 2	Telecommunications Exhibition and Conference (01-486 1951)	Hong Kong
Dec 1-3	International Congress and Trade Fair for materials and logistics—Intermat (01-730 4645)	Dusseldorf
Dec 6-11	International Electrical Equipment Exhibition (01-439 3964)	Paris
Dec 8-13	China Handling and Transport Equipment Exhibition (021-705 6707)	China

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Nov 9	The Industrial Society: Employment Act 1982 and prospects for future industrial relations legislation (01-839 4300)	Inst Civil Engineers, SW1
Nov 10-12	IGC: Modern coating methods (26.48.75)	Amsterdam
Nov 10-12	Keplinger: Symposium on oil and gas investment and technical seminar on marginal oilfields (01-584 4351)	InterContinental Hotel, W1
Nov 11-12	Oyez IBC: International correspondent banking (01-236 4080)	Royal Garden Hotel, W8
Nov 15-16	CREPA Multinationals in transition (33.1 274.25.10)	Paris
Nov 16-17	IPC: Fast Food Conference '82 (01-643 8040)	Brighton
Nov 16-18	ICST: UK national corrosion conference, Watford (0932 47811)	Cunard Hotel
Nov 17	Kenyon: Equal opportunities. The practical implications on employment and pensions policy (01-487 3418)	Cambridge
Nov 22-23	RIBA: Effective professional marketing of architects' services (01-637 8991)	Birmingham NEC
Nov 22-23	Monadnock: Business in Saudi Arabia and the Gulf. Settlement of disputes (01-262 2732)	Press Centre, EC4
Nov 24	BIM: The flexi-job revolution. Job-sharing in practice (05363 4222)	Café Royal, London, W1
Nov 24-26	International Management Foundation: First world congress on employee relations (Bedford (0234) 48338)	Barbican
Nov 25	The Industrial Society: Control and commitment in the City (from Falklands to finance) (01-839 4300)	Butchers Hall EC1
Dec 2	TUA: Telecommunications liberalisation—the latest phase (01-737 2425)	Grosvenor House, W1
Dec 2	Kenyon: The effect of information technology on office staff—implications for employment (01-487 3418)	Painter's Hall, EC4
Dec 13-14	FT Conference: European business forum—policy issues (01-621 1355)	Rome

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Co-op plans own code for pensions

By Eric Short

THE Co-operative movement intends to issue its own code of practice on pension schemes to apply to the 150 schemes operated by its various societies.

The central co-ordinating body on pensions, the Co-operative Union National Superannuation Committee, has begun talks which would result in a code.

There is growing pressure from many organisations, including the TUC and the Occupational Pensions Board for comprehensive legislation on pensions.

Such a Pensions Act would cover such matters of rights of members, disclosure of information, solvency of schemes and investment policy. The National Association of Pension Funds is opposed to such legislation.

Mr Brian Holden, the Co-operative Union's superannuation officer, said that, if the pensions movement failed to agree on an accepted practice, there was a real risk of legislation being forced on schemes.

BIBA calls for licence reforms

THE British Insurance Brokers Association has urged the Department of Trade to exempt the majority of insurance brokers from the new proposals on licensed dealers.

The Government's intention to protect consumers by seeking more stringent controls over the activities of dealers in securities is welcomed by the BIBA. But a distinction needs to be drawn between the few insurance brokers who provide discretionary investment management and the vast majority who merely offer occasional advice to clients relating to authorised unit trusts.

BIBA points out that insurance brokers are already statutorily registered under the Insurance Brokers (Registration) Act 1977 and therefore should be exempt

Choice of town chief assessed

AN ENGLISH university lecturer is being allowed to attend private meetings and read confidential minutes as a Labour council chooses a new chief executive.

Mr Alan Alexander, lecturer in politics at the University of Reading, is to observe Stirling District Council select a replacement for Mr Donald Bowie, its chief executive, who retires in January.

Mr Alexander has stressed the "absolute confidentiality with which he would treat information. He has been awarded a research grant by the Nuffield Foundation to find out how chief executives are selected.

LABOUR NEWS

Esso tanker drivers to vote on 48% hourly pay package

BY BRIAN GROOM, LABOUR STAFF

ESSO's 1,700 oil tanker drivers and manual distribution workers are to vote next week on a radical pay and productivity package which would raise hourly pay rates by up to 48 per cent.

The increase in average earnings would be smaller than this, because the proposals include efficiency measures which should ensure more work is done in less time. Esso also wants nearly 200 voluntary job losses.

The proposals are being recommended by Transport and General Workers' Union negotiators, and voting will take place at depots on November 16. For drivers, the new "basic schedule hour rate" would be £4.20, compared with the current basic £2.84.

The new payment is sharply higher because a "schedule hour" is a measure of product moved rather than time, calculated according to tougher efficiency standards than the company currently applies.

Esso decided to build new productivity measures into its hourly pay calculations after failing three times in two years to reach a conventional deal giving an additional payment on top of basic rates for meeting higher standards.

It is the only major oil company without a productivity deal for drivers, which makes it vulnerable to strike threats because Esso drivers have fallen behind on pay.

Most companies settle in November at the same level and pay the same basic rates, although productivity pay and average earnings vary. Other companies have so far not made pay offers this year, apparently waiting to see if Esso adopts its new system.

One feature of it is a new minimum earnings guarantee of £159.60 a week for 38 scheduled hours, compared with the present £113.50 for 40 hours. For those opting to volunteer for up to 55 schedule hours a week in a six-month "work plan," the new minimum rises to £173.10.

The higher minima will be attractive to drivers in rural areas, where earnings levels are sometimes low. Drivers in big city depots, where there are more opportunities for overtime, may, however, vote against the deal, because they feel it will not raise their earnings as high as those at BP.

Rough calculations made at Esso this spring, when the deal was first discussed, suggested that it could add £30 overall to average earnings of nearly £180. The plan has since been modified in some respects.

Elements of drivers' pay would comprise: a basic four-day week of 38 schedule hours; enhanced schedule hour rates and an extra flat payment for those who volunteer to work up to 55 hours over five days, at management discretion; unsocial hours payments, which vary according to the degree of inconvenience.

The deal would allow the company considerable discretion in determining hours, and flexibility to meet customer demand quickly. It can ask drivers to work up to 11 schedule hours in a duty period.

Esso's proposals include similar measures for plant operators and mechanics, but there is a larger element of payment for attendance.

Farmworkers' wage plan aims to beat low pay trap

BY OUR LABOUR STAFF

A WAGES policy to lift farmworkers gradually out of the low pay trap is proposed today in a report published by the independent Low Pay Unit.

This should include moves to bring earnings up to the national average within five years, it says.

The report, Cold Comfort Farm by Mr Steve Winyard, will be distributed to members of the Agricultural Wages Board, who meet this morning to decide on minimum rates for farmworkers.

The agricultural workers' section of the Transport and General Workers' Union is claiming a minimum wage of £120 a week—an increase of almost £50 on the present £70.40 basic. It also wants the 40-hour week cut to 35 hours, and a fifth week's holiday.

The Low Pay Unit says farmworkers are at the bottom of the male national pay league, with only barmen earning less. Roadsweepers, caretakers, cleaners and hospital porters earn more on average.

Farmworkers' relative position has fallen further behind, according to the report. In 1974 the average farmworker earned almost three-quarters of the average industrial wage; by 1982 their earnings had fallen to less than two-thirds.

The number of farmworkers relying on means-tested Family Incomes Supplement to top up wages has doubled since July, 1980. The Low Pay Unit estimates that 20,000 farmworkers, more than a fifth of the regular full-time male workforce, are entitled to it.

The report says 40 per cent of full-time male farmworkers earn less than £90 a week—the definition of low-pay adopted by both the unit and the TUC. This is proportionately four times as many as for the male workforce as a whole.

The outcome of this year's pay talks will be watched with interest because it will be the first pay rise negotiated by the transport union, which absorbed the 70,000-strong National Union of Agricultural and Allied Workers in a merger in the spring.

The Low Pay Unit warns that transport workers, who were due to strike on behalf of health workers before today's one-day stoppage was called off, may soon be striking on behalf of farmworkers.

Low Pay Pamphlet No. 21; LPU, 9 Poland Street, W1V 3DG; £1.50.

Water workers' threat over 15% claim

BY OUR LABOUR STAFF

LEADERS of the water industry's 29,000 manual workers may call for a national strike if employers do not respond satisfactorily to their pay claim at a meeting on Thursday, a union negotiator warned yesterday.

Mr Ron Keating, assistant general secretary of the second biggest union involved, the National Union of Public Employees, said: "We will not be pussy-footing about on Thursday. If the response is unsatisfactory there will be a strike."

Such a strike would be "short and sharp," he said, although it would have serious consequences for homes and industry. Water workers did not want a long and painful stoppage.

The three water unions are seeking rises of about 15 per cent on basic rates in support of a long-standing aim to bring members' pay into line with the top 25 per cent (upper quartile) of outside male manual earnings.

A delegate conference of the biggest union, the General and Municipal Workers, has already recommended that its executive consults members on all-out strike action if the National Water Council fails to come up with a satisfactory response.

The unions have already mounted a one-day strike on the issue—the first-ever national stoppage in the industry. Many observers consider an indefinite water strike unlikely, but the frustration which has built up over the issue makes the situation volatile.

Gas and electricity workers are taking the cue for their pay demands from the miners' 8.2 to 9.1 per cent settlement on basic rates, but water workers have the added incentive of seeking a relative improvement in their pay.

The Government's latest New Earnings Survey puts the upper quartile figure at £154.60. By comparison, the figure for water workers—a "snapshot" of pay in April—is £136.90. For gas workers it is £154.30, and for electricity workers £153.

A strike over the issue of relative earnings has crept nearer over the past four years. Mr Keating said: "There is a real danger of a conflict in the industry and it will require a pretty drastic change of attitude by the employers to avoid it."

Safety and emergency cover will be maintained in the event of a strike, but unions and employers differ markedly on what constitutes an emergency.

Employers have suggested a step-by-step approach under which earnings could be raised in return for a no-strike commitment, secret ballots before any industrial action, flexible working hours and speeding up of the payment of wages by credit transfer.

The unions do not accept the proposals as an alternative to their pay claim, but they have suggested they may be prepared to consider the items within an overall commitment to bring earnings into line with the top 25 per cent.

However, Mr Eddie Newall, national officer of the GMWU, said at the weekend: "If the employers answer our claim with a straight offer of 4 or 5 per cent on Thursday it will provoke an almighty outrage."

Lloyds Bank staff takes stronger line on ballots

BY BRIAN GROOM, LABOUR STAFF

NON-TUC STAFF at Lloyds Bank have taken a small but important step towards greater militancy, which could make industrial action a more credible option in disputes.

The 40-member general council of Lloyds Bank Group Staff Union, a unit of the Clearing Bank Union, has accepted a report recommending that the ballot majority required for industrial action be lowered from 75 to 60 per cent of members eligible to vote.

This is likely to be adopted formally at the next council meeting in the spring. The change is restricted to domestic disputes, but a similar motion concerning national disputes is likely to be put before next year's Clearing Bank Union conference.

None of the staff unions at Barclays, National Westminster and Lloyds, which comprise the bulk of Clearing Bank Union members, has taken industrial action. However, some observers believe a harsher bargaining climate makes this a possibility in the next few years.

Barclays Group Staff Union broke a psychological barrier this summer when its leaders recommended two one-hour strikes over Saturday opening, but this was rejected heavily by members in a ballot.

The Lloyds recommendation is contained in the report of a working party which has considered options for industrial action, including working to rule and overtime bans.

One reason for the move is the withdrawal by Lloyds, in common with other banks, from arrangements giving either unions or managment the unilateral right to demand arbitration in a dispute.

Union leaders feel they lack leverage if they cannot demand arbitration, but are constrained at the same time by a rule which, in effect, prevents industrial action.

Leaders of Lloyds' group staff union believe their members are under pressure because of the bank's drive to restrict staff costs, which they believe has been more successful than at other clearing banks.

The union, which has 21,000 members, is seeking a co-operation agreement with Lloyds to reverse what it claims is a steady deterioration in industrial relations.

● The TUC-affiliated Banking, Insurance and Finance Union is intensifying efforts to recruit among the 11,000 staff employed by 78 U.S. banks operating in the UK.

It claims to have been contacted by employees at Citibank, Bankers Trust and Bank of America who are worried about job security.

The union also wants recognition at Chemical Bank, where it has criticised the handling of a relocation exercise. Back-up service areas are being switched to Cardiff, and the union says it is "convinced" that fewer jobs will be available in South Wales

Equity claim on television contracts

By Our Labour Staff

EQUITY, the actor's union, said yesterday that a small but growing number of advertising agencies were signing contracts on the union's terms to make advertisements for Channel 4.

The union is embroiled in a bitter dispute with the Institute of Practitioners in Advertising over payments for Equity work on the new channel.

The IPA wants to move from the fixed percentage repeat fees which apply to ITV-1 stations, to an audience-related system reflecting the much lower viewing figures on Channel 4.

Equity claimed last week that all the first 35 commercials shown on Channel 4 had been at ITV-1 rates. They were made by 25 agencies, of which the union claimed 10 were IPA members.

By Friday, Equity claimed another 10 agreements had been made on the terms of its latest offer—75 per cent of ITV-1 rates.

The IPA says very few of its 300-member agencies have broken ranks, and argues that advertisers will be put off from advertising on Channel 4 by Equity's stance.

It warns that the 15 ITV companies may soon be losing up to £1.5m a week in lost advertising revenue.

TECHNOLOGY

EDITED BY ALAN CANE

HEAT GENERATION POSES PROBLEMS

How to keep a computer cool

BY JOAN GRAY

WHEN they work *fast*, computers, like humans and racehorses, can get very hot—and keeping their machines cool is becoming a bigger and bigger problem for the giant computer makers.

Chips in IBMs 3081 computers, for example, produce more heat per square centimetre than a domestic electric iron; and just three chips in the supercomputer to come from Gene Amdahls new company, Trilogy, produce almost as much heat as a one bar electric fire. This heat has to be removed, or the chips burn out.

Small computers can be kept cool quite easily by air conditioning, but overheating becomes a big problem in the giant computers processing millions of instructions a second.

The problem arises as manufacturers pack more complex circuits closer and closer together to get faster, more powerful computers — and the *closer the circuits get*, the hotter they get.

Different methods of cooling computers are fiercely advocated by different computer makers. Air cooling enthusiasts can get positively contemptuous of those who go for what they see as the sloppier solution of water cooling.

Take ICLs director of mainframe development Dave Dace, *for* example. An air cooling man himself, he is most scornful of IBMs much vaunted water cooling unit, the thermal conduction module. "Water cooling *is* over complex," he said. And, added ICL's director of engineering, Derek McLauchlan, "it is a route which more careful design would have removed."

One of the most exotic cooling methods is used by Cray, *maker* of two of the most powerful commercially available computers in the world: the Cray 1 and Cray *X-MP*, used for atomic weapons research, long range weather forecasting, and predicting oil reserves.

The company is emphatic that the advanced method of cooling it uses — heat from the circuits is conducted to freon, a cooling liquid used in refrigerators—was a key factor in making its computers so fast, by making it possible to pack the circuits very close together.

But for the next generation of Cray computers, the Cray 2, freon cooling will not be enough. Les Davies, Cray's vice-president of future development, said that all the circuits in the Cray 2 will be immersed in Florinert, a liquid fluorocarbon made by 3M.

"The whole cabinet will be filled with Florinert like a *fishtank* with a heat exchanger outside to remove the heat to water or freon,' he said.

Fishtanks of fluorocarbon may be all very well for the Cray 2, but companies buying their latest big business computers tend to want something a little *simpler*.

IBM, Honeywell, and Sperry Univac have all opted for water cooling for their giant business computers, the IBM 3081, Sperry 1100/90 and Honeywell DPS 88. Sperry is particularly enthusiastic about the move from air cooling to water cooling in its latest 1100/90, which it says has helped it to get four times the performance for only twice the price of its previous model, the 1100/80 computer.

Honeywell and Sperry both use rather simple arrangements to bring the water near their circuit boards. In the Honeywell machine, the water is carried over the back of the boards in a moulded plastic labyrinth, called a "slic" pack. In the Sperry computer, the water passes inside a plastic membrane between pairs of circuit boards.

The IBM thermal conduction module, or TCM, is the most complicated *method* of water cooling. Up to 133 chips are mounted on a ceramic substrate and sealed into a unit filled with helium, which was chosen because it conducts heat six times more efficiently than air.

A metal spring-loaded rod rests on top of each chip and conducts heat from it to the outside of the module, which is cooled by chilled water.

MARINE RADAR

Racal markets three new families

BY GEOFFREY CHARLISH

RACAL MARINE Radar has made an across-the-board attack on the market with three new families of products, seven equipments in all, covering small pleasure craft to deep-sea vessels.

The most impressive thing about *the* top end model, the Racal-Decca RM 1290, which has a peak power of 25 kW and ten range scales from 0.25 to 64 miles, is its price.

By extensive use of microprocessors to manage the control functions and by designing for ease of production, the company has kept the price down to £5,250 — which is some £3,000 cheaper, claims David Peacock, chairman, than equivalents in the current range.

This 12-inch display radar has been specifically developed to meet the International Maritime Organisation (IMO) requirements due to come into effect in 1984. These call for all vessels in the 1,600 to 10,000 ton class to have a 12-inch set as their primary equipment.

The display of the Racal-Decca 170, 270 and 370 radars mounted in the cockpit of a cabin cruiser.

The radar has a relative motion display (the ship is always at the centre of the plan position display and the surroundings appear to move past it), and also employs "Clearscan."

Clearscan is a Racal-Decca technique which automatically suppresses sea clutter (confusing reflections from wave tops) at every bearing and range, making the "targets" (ships, jetties, buoys and so on) as clear as possible.

On the control panel, the use of membrane touch-sensitive buttons, in conjunction with the microprocessors, has allowed some rotary controls to be done away with altogether.

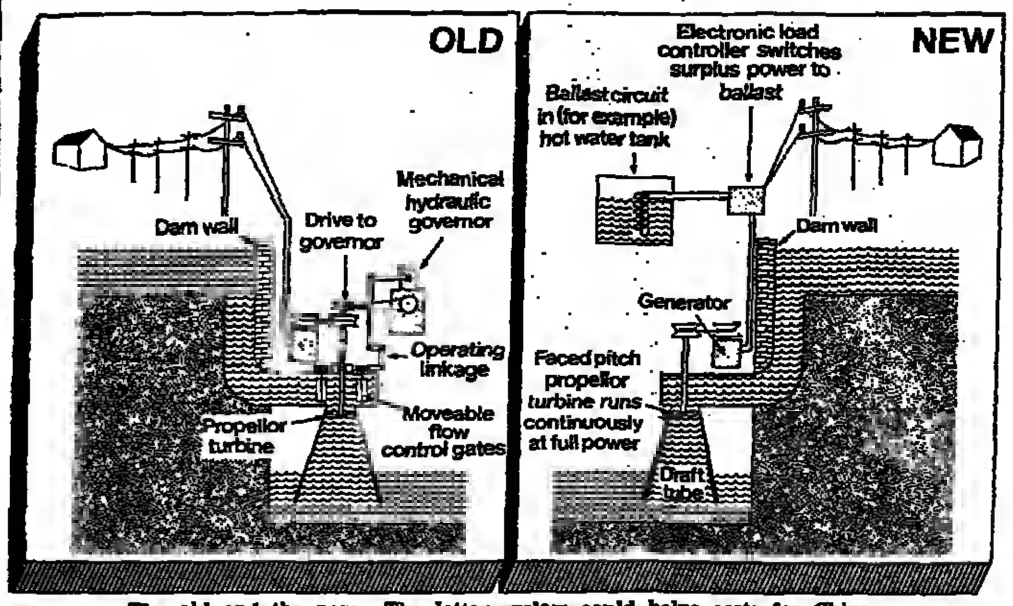
Similar philosophies have been applied to the new Group 10 radars which are aimed at large fishing vessels and similar commercial cratf. Seven or ten-inch displays are offered and the price is about *£4,000 in* the UK.

Possibly the most interesting of the three families, however, is the 170/270/370 series, all of which use a bright yellow seven-inch display. They are intended for pleasure craft and workboat operations and have ranges to 24 nautical miles (for the 170) and 36 nautical miles for the 370.

Racal has had to take a special approach with manufacture of these small models. To meet world competition, the company decided to put the best of UK radar technology into the design and development but, to keep costs down, have the sets made under contract in South Korea.

MINI HYDROELECTRIC PLANTS

UK group set to scoop the pool in China



The old and the new. The latter system could halve costs for China.

BY MARK NEWHAM

A GROUP of British companies led by Intermediate Technology Industrial Services (ITIS) is on the verge of breaking into a potentially vast market for mini-hydroelectric plant equipment in China with an electronic load control device which could halve the cost of building mini-hydro stations.

ITIS, Evans Engineering and GP Electronics, recently demonstrated the device in China at the request of Zhu Xiao Zhang of the Ministry for Water Resources and Electric Power. He also heads the United Nations' mini-hydro research and training institute at Hangzhou in Zhejiang province.

After five days of intensive trials at the Huin-Dong 100kW mini-hydro station on the Fu Chunjiang river about 300km from Hangzhou, the performance of the controller was, in the words of ITIS's general manager David Wright: "much *faster and* more precise than hydraulic water flow governors traditionally used in this kind of station."

Chinese officials at the trials *were also obviously impressed* by the load controller's performance as their order for 13 controllers *following* the trials testifies.

The order is worth about $20,000 to the British companies which, in return, agreed to buy three *Chinese mini-hydro* turbine/generator sets for use in mini-hydro demonstrations in the UK and the developing world.

For years now, hydroelectric engineers the world over have been trying to develop a system to replace costly *hydraulic* flow control governors used in mini-hydro plants to *regulate* the flow of water through turbines to maintain a smooth power output.

Not only are these governors expensive to *instal* but they need constant maintenance to keep them operational. Now, it would appear, the electronic load control device developed and built by Evans Engineering and GP Electronics offers the much sought-after characteristics and ITIS' David Wright believes mini-hydro plant managers will be climbing over one another to buy the system.

Essentially, the controller uses microprocessor circuitry to regulate the power output of turbine generators to electricity grids regardless of the flow of water through the turbines. When *flow* surges through the turbines dramatically increase power output, the controller automatically channels excess power to a ballast circuit.

Here, the power is used to heat or pump water locally. Only when the flow is at a low ebb will the turbine and load controller be unable to maintain a steady output to the *grid*.

The controller could provide a valuable answer to some of China's energy problems, particularly in remote areas. Although the country already has more than 100,000 mini-hydro stations in operation, these tap only three per cent of China's massive hydro-electric resources and the cost reduction potential of the load control system could lead to a surge of mini-hydro station building.

The controller, built into Chinese mini-hydro plant destined for overseas markets, is also likely to make Chinese equipment more attractive and competitive internationally, so it is not beyond the bounds of *belief* to see *Chinese-made* turbines controlled by the British-built controller turning up in America, India or even Britain.

Already the China General Electric Corporation (CGEC) is engaged in a $30m mini-hydro scheme in the Philippines and, *if the lead controllers are de*livered in time, CGEC could begin installing them in the 40 stations in the 100kW to 1MW range it is building for the Philippines Government.

Data transmission

Flight trials start

FLIGHT TRIALS have started at RAE Bedford of the Smiths Industries 1553B airborne data transmission equipment which uses an LSI chip set made by Micro Circuit Engineering *(a Smiths subsidiary)*.

In its ultimate form this equipment will remove the considerable weight of wiring needed in an aircraft to carry all the control signals. Instead, the signals are multiplexed down a dual data highway and are "picked off" by the systems needing them. In addition, some 20 boards of electronics are replaced by 25 chips.

image process

Logica contract

LOGICA IS to supply image processing equipment to British Telecom under a £500,000 contract. The BT research laboratories will use the equipment for experiments in the digital coding of colour television pictures.

The Logica system allows coding techniques to be simulated in software, avoiding repetitive and expensive construction of circuits for each technique.

One use will be in bandwidth compression experiments to which the researcher will be able to experiment with coding *only* those parts of the picture which move from one TV frame to the next.

Controls

Pressure indicator

FISHER CONTROLS of Lewisham, London, now has available a differential pressure *indicating* controller designed for static pressure up to 6,000 psig. Said to be corrosion and vibration resistant, the 4194H series is *offered* with proportional only, proportional re-set and differential gap control.

The controller can be used for accurate control and *monitoring* of *flow* or liquid level and the company claims that maintenance and calibration can be carried out without special tools.

Technical details are available from the company on 0622 671301.

Actuators

New design

A LINEAR, electro-hydraulic actuator which can be mounted directly onto a control valve, damper or *regulator* to any process control application has been introduced by Elram of Moorfield Industrial Estate, Yeardon, Leeds (0532 504941).

The company says that small batches can be produced on very short delivery times. Full technical details from Elram.

BUILDING AND CIVIL ENGINEERING

CAVITY WALL INSULATION

Megafoam runs aground

MEGAFOAM, which went into receivership last week, is the latest cavity wall insulation company to run aground during one of the most difficult periods the industry has ever endured.

A slump in sales has been exarcerbated by adverse publicity involving allegations of possible health hazards arising from the use of urea-formaldehyde foam for cavity wall insulstion.

Newspaper and television comment about UF-foam has increased following a ban on the product in the U.S. and Canada.

At the enc of August this year, British companies involved in the installation of UF-foam, said that orders had slumped hy np to 75 per cent following an ITN news report on urea-formaldehyde insutation on News at Ten on July 5.

Sales at Megafoam which had been around £2½m in 1980 are likely to be only just over £1m this year and losses could be around £100,000.

Mr Dsvid Cameron, chairman and 60 per cent owner of Megafoam, said at the end of August that normally the company would have expected to have been winning around 150 orders a week during the summer months.

"Before the July report by ITN we had been running st around 80 orders a week. In the four or five weeks after the report, sales were averaging just 23 a week.

"This time last year we were running around 35 two-man teams of installers in England and Wales. By August this had dropped to 15 crews," said Mr Cameron, who said that sales of other home insulation products had also been adversely affected by recent publicity.

Mr Cameron said that orders at a glass fibre insulation business operated by Megafoam had also dropped by 75 per cent during August.

The National Cavity Insulation Association says that orders have picked up slightly more recently. Nonetheless the indnstry remains deeply troubled.

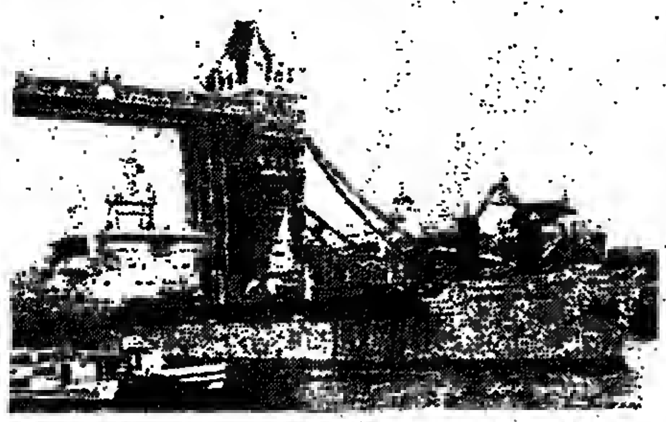
● The Department of the Environment said last Friday that it is satisfied thar the use of urea formaldehyde foam insulation may be permitted provided it is used only in walls with a brick or block inner leaf and adequate precautions are taken.

New dredger looks for work

CONFIDENCE IN the future of the dredging industry was expressed last week hy Zanen Verstoep, of The Hague Holland, a company which is investing £35m in a new plant huilding programme.

Of this sum, £15m has been spent on a trailing suction hopper dredger, the "Cornelis Zanen." She is now completing her commissioning trials.

Her first contract, worth about £350,000, is for the removal of 500,000 cu metres from the bed of the access channel at Portsmouth harbour. The work, for the Property Services Agency of the Department of the Environment, starts on November 15, and will be completed in about three weeks.



The Dntch dredger "Cornelis Zanen" leaves the Pool of London after a brief visit durnig trials last week.

Although the company has no further coutracts for this vessel, Zanen is coulident that because of the dredger's versatility there will be no problem finding work.

The "Cornelis Zanen," named after one of the family which owns the company, is claimed to be the first hopper dredger specifically constructed for working in tropical as well as arctic waters (Ice class Bureau Veritas 16).

In good weather conditions her maximum capacity is 15,000 tons at 9.5 metres draught. Maximum dredging depth is 32 metres. Apart from wide bottom doors with vertical side walls giving good dumping characteristics even with sticky materials, the vessel is equipped to pump dredged material ashore.

Total installed power is 13,500 bp—main engines are used for power generstion. The twin-screw vessel has a maximum speed of 15.2 knots, and is equipped with a bow thruster for additional manoeuvrability.

TONY FRANCE

WEST GERMAN CONSTRUCTION

A slender lifeline

WEST GERMANY'S battered building industry has, at last, been offered a slender lifeline by the new conservative government. In an announcement last month the new Federal Building Minister, Oscar Schneider, announced a DM 2.5bn (£582m) aid package which could result in the building of 70,000 to 100,000 new homes in the 1983-1984 period and the creation of 140,000 to 200,000 jobs.

No one in the industry would argue that the help is not needed. The big question is whether the aid package is "too little, too late."

The German building industry is now going through its worst slump since the Second World War. Unemployment among building workers more than doubled in the first half of this year and now stands at around 120,000, sccording to Martin Kaune of the Central Association for German Builders. In the same period 1,100 building firms went out of business—60 per cent up on the same period last year.

"Right now the industry is as good as dead," says Mr Kaune. "In such a situation the latest government measures can only be regarded as a right step in the right direction."

According to Horst Urban of the Federal Building Ministry, the government plan comprises three elements: direct financial provision for the building of state (i.e. council) housing, financial aid to improve the tax savings of people paying mortgages and a financial package to reduce the interest paid by home-owners paying bridging finance. The total value of all three measures is about DM 5.2bn.

But many building companies seriously question whether the indirect aid to the industry, as comprised in the last two measures, can really bring about the kind of recovery the industry requires. Moreover the measures do nothing at all for the public works side of the industry.

The latest report from the Ifo economic research institute for September shows that employment of capacity in West Germany's construction industry as a whole is only 47 per cent. In some sectors it is even worse, with employment of capacity in road building, for example, down to 47 per cent.

"Minister Schneider's building programme does nothing for the construction industry," says Mr Leclerc of the Main Association for the German Construction industry. "As things stand now our member companies have order books of two months or less, while an order book of at least three months is needed for viable operation," he added.

"Overall," said Mr Leclerc, "construction orders are stagnating at a level 30 per cent below that of two years ago, snd in road building 50 per cent below.

"We need new Federal investment in construction projects and we need it now."

But even if such investment were forthcoming, which it is not, it will still take a long time for th cindustry to recover from the present recession. With the time lag between orders, production and earnings it will take at least two years for Germany's construction industry to regain 1980's real earnings levels.

With this year's budget now exhausted, Mr Leclerc and his industry are looking forward anxiously tu next year's March elections and the faint promise of a switch in government resources from social support programmes to investment projects.

But even if this comes about, many German construction firms feel that the heady days of the 1970s will never return. "West Germany's building boom is over," said one. "The buildings, roads and facilities destroyed by war are all rebuilt. What we must do now is make a structural adjustment to a new, lower level of construction activity.

TOM SEALY

Transforming a problem

TACKLING PRIORITY Estates is the title of the latest Department of the Environment film. It shows the progress of the Government's Priority Estates project, started in 1979, to turn round difficult-to-let estates.

Festured are six initiatives which have transformed problem estates into desirable residential areas. These are: better security; physical improvements radical changes to lettings policy; estate-based management and budgeting; sales of blocks both improved and unimproved; and lastly tenant involvement, which the film emphasises is the most vital ingredient.

Noisy neighbour nuisance

MILLIONS of householders are forced to tolcrate noise nuisance from their neighbours because of poor standards of sound insulation in party walls.

A survey conducted by the Building Research Establishment indicated that 55 per cent of party walls in a sample batch of post-1970 houses failed to meet the requirements of the Building Regulations. As a further step, the extent of the disturbance created by neighbours' noise was then examined in more detail and it was found that over two-thirds of those people questioned could hear noise from adjoining homes and 18 per cent reported being seriously bothered by it. Noise nuisance ranked first among the typical housing defects reported.

Irrespective of whether they themselves were bothered, nearly three-quarters of the respondents were prepared to accept some noise from neighbours and a similar proportion said they were aware of the need to keep their own noise levels to a minimum.

But the survey also demonstrated the widespread belief that the major culprit is not the family next door but the poor level of sound insulation provided by party walls. Only 10 per cent of those involved in the survey judged their neighbours to be unreasonably noisy.

Top of the list of noise nuisances were television sets and record players, shouting and laughter, footsteps on stairs, banging doors and the clicking of electric switches and sockets.

The BRE has calculated from the survey that over two million occupants of post-1970 houses rate their sound insulation significantly poorer than they would have done had their home met Building Regulation requirements, while another one million people were able to hear their neighbours talking.

The report concludes: "Not only is poor sound insulation one of the most salient defects of modern houses but its counterpart, noise from neighbours, is the major source of noise nuisance for their occupants."

PUBLICATIONS

Just published by the Bituminous Roofing Council (BRC) is the first of a series of technical information sheets covering all aspects of flat roof design and construction. They are intended for designers, specifiers and others involved in flat roofing. The guide is available from BRC, PO Box 125, Haywards Heath, West Sussex RH16 3TJ.

*

A new code of practice (BS 6180) for protective barriers designed to provide protection against common hazards in or adjacent to buildings, has been issued by the British Standards Institution. Called "Protective barriers in and about buildings," it is one of the first British Standards to give recommendations for plastic materials in buildings.

The BSI has also published BS 6270—"Cleaning and surface repair of buildings"—the first national code of practice on this craft. It will be issued in three parts, the first of which has been published called "Part 1 Natural stone, cast stone and clay and calcium silicate brick masonry."

*

The Cement and Concrete Association has published technical report no. 7 "Concrete in the oceans—fatigue strength of reinforced concrete in seawater" (Ref. 15.637) for the Concrete in the oceans management committee. The report is designed to provide additional knowledge to improve the design, construction and long-term performance of concrete oil production platforms.

OVERSEAS CONTRACTS

£5.8m storage tanks in Libya

MOTHERWELL BRIDGE, the Motherwell-based heavy engineering group, has been awarded a £5.8m contract for oil storage tanks to be constructed for the Libyan Petroleum Marketing Company—BREGA at its Misurata port installation. The contract was awarded to Motherwell Bridge hy BREGA'S contractor Samsung Construction of Soeul, Korea, and requires the erection of 15 storage tanks and five spherical pressure storage units. Four of the largest storage tanks are of the fixed roof variety and are over 195 ft in diameter and 55 ft in height each with an oil capacity of 300,000 barrels (10.5m gallons). The tanks will store over 2.5m barrels of oil (66m gallons). Construction will commence shortly.

*

BALFOURS has been awarded e design contract for the extension of the Sayk Labayatar wellfield in Abu Dhabi. Work is about to commence and the capital value of the proposed works is likely to exceed 30m Dirhams (£4.6m). The client for the scheme is the Abu Dhabi Water and Electricity Department.

UK CONTRACTS

Conder builds £5.5m offices

CONDER SOUTHERN has started work on a £5.5m 10,540 sq m three-storey office block at Hemel Hempstead for Computer Machinery Company (CMC). The Kingsworthy method of building is being used so that a tight completion date—May 1984—can be met and the use of "dry envelope" will enable work to proceed continuously irrespective of weather conditions.

*

JOHN LAING CONSTRUCTION has won housing contracts and a hospital extension worth £2m in the north of England. The north east region has started work on the largest development—42 houses and eight garages in Penrith—for Eden District Council. The £900,000 scheme in Pategill Road is due for completion in a yesr. Houses will be of traditional brick/block construction on strip-type wall foundations and solid concrete floors with concrete tiled pitched roofs on trusses and usual floor finishings, services and fittings. Facelifts are to be given to 170 Manchester City Council houses by the north west region of John Laing Constructioo. The contract, costing £733,000, is expected to take six months.

*

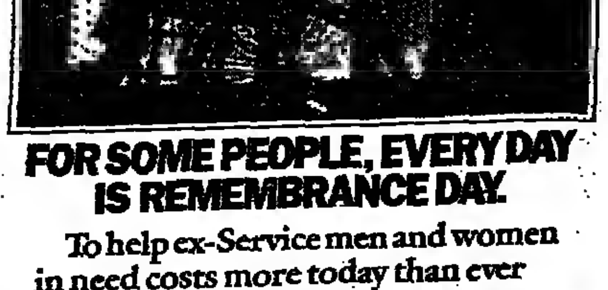
HUNTING GATE has signed a £1.8m design and build contract to construct 80,000 sq ft of new premises for Easey Garments (UK), manufacturer of jeans and casual wear, on the old Delaney Gallay site at Staples Corner no the Edgware Road, NW2. The 35,000 sq ft of free-span warehouse space will be ready in March 1983 followed by 25,000 sq ft of offices with four floors and a basement car park.

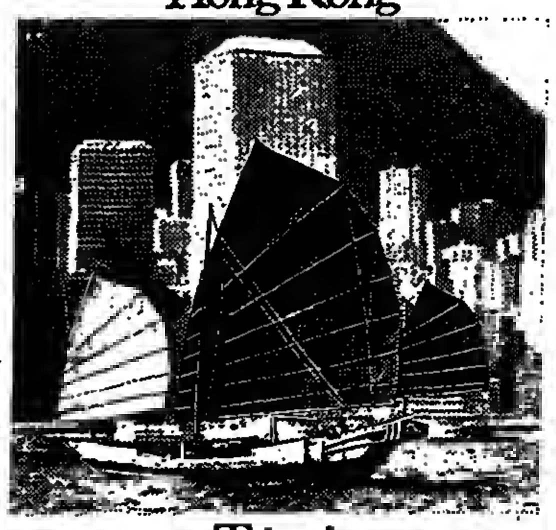
BOVIS CONSTRUCTION has been appointed by the Scottish Development Agency as management contractors for the Scottish Exhibition Centre on the site of the old Queen's Dock, Glasgow.

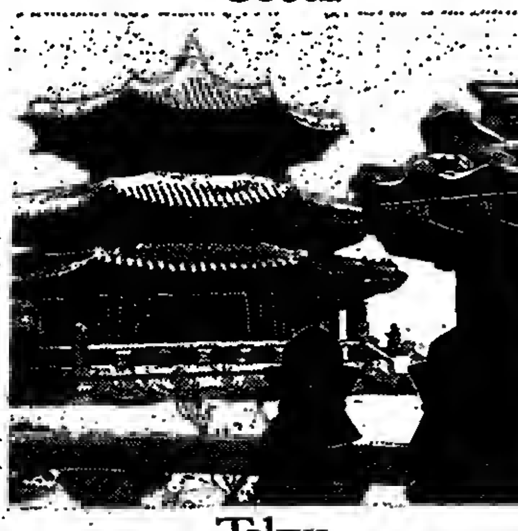
The development, valued at £30m, consists of the construction of five halls which, together with the concourse and other associated ancillary buildings, will have a floor area of approximetely 27,000 sq metres.

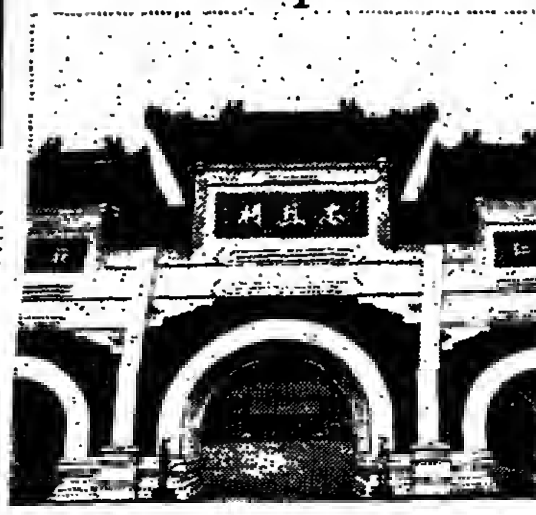
Included in the development are site preparation and stabilisation works, together with extensive car parking facilities and landscaping.

Work should start early in 1983, subject to the final approval of the Secretary of State for Scotland and the establishment and funding of the operating company for the centre. The exhibition centre is scheduled to be operational in the autumn of 1985.









Why Olivetti embarked on a venture capital spree in the U.S.

BY GUY DE JONQUIERES

HOW CAN a large European electronics manufacturer plug into the nerve centres of U.S. innovation? Olivetti, Italy's principal computer and office equipment supplier, believes it has an answer: by buying slices of young, entrepreneurial companies which have developed promising products and technology.

Olivetti decided to put its theory to the test just over two-and-a-half years ago. Since then, it has spent more than $60m on a venture capital spree which has brought it equity stakes in about 20 American companies operating in fields ranging from microchip manufacturing to large "mainframe" computers.

The rapid-fire acquisition programme is a brainchild of Carlo de Benedetti, Olivetti's deputy chairman and chief executive. Since he took over in 1978 at the age of 43, his success in steering the company smartly back to profitable growth after a period of heavy losses has earned him a national reputation as one of Italian industry's most astute managers.

Among the problems he inherited was Olivetti's troubled U.S. subsidiary. Established more than 20 years earlier to sell typewriters and other mechanical equipment, it was failing to keep up in a market which was being rapidly transformed by the application of microelectronic technology. It also ended up on the wrong end of several deals with American manufacturers whose products Olivetti had agreed to distribute internationally.

For de Benedetti, the lesson was clear: "If you want to succeed in America, you have to be American, or at least act like Americans," he says. "The first step has got to be to get your management acquainted with the American mentality . . . by acquiring minority interests in more than one American company in a business related to your own."

The American investment strategy is managed by Elserino Piol, a towering Italian with a gift for speaking English even faster than he clinches deals. Piol worked in the U.S. from 1974 to 1978 as head of Olivetti's sales and marketing operation there. Today, he is based at the corporate headquarters in Ivrea, near Turin, with a staff of half-a-dozen, but spends about four months a year in the U.S.

OLIVETTI'S U.S. EQUITY INVESTMENTS

Company	Business	Investment in $m	Percentage of equity owned
Applied Micro Circuit	MOS integrated circuits	1	4.2
Compuscan	Office automation	2	11.6
Data Terminal Systems	Point-of-sale terminals	10	12.2
Docutel Olivetti	Bank equipment, cash dispensers	*	46.2
Intecom	Advanced PABX	4.5	6.7
IPL	Plug-compatible computers	3.6	23.8
Irwin Olivetti	High density discs	5	34.9
Ithaca Intersystems	Microcomputers, graphics terminals	1.6	36.1
Lanx	Magnetic discs	0.5	14.3
Stratus Computer	Minicomputers	3.7	11.9
Syntrex	Word processors	5	18.9
Telxon	Portable terminals	0.5	2.9
Transaction Management	Point-of-sale terminals	0.25**	16.5
Lee Data	Display systems	3.5	12.6
Linear Technology	Linear circuits	2	6.8
MicroOffice Systems	Portable terminals	0.5	22.9
Prolink	Office automation	3.2	11.5
VLSI Technology	Integrated circuits	2	8.2
Filex	Electronic file systems	0.8	16.9
MicroAge	Computer stores chain	2.5	49

* Total investment in Docutel $51m, including transfer of Olivetti assets valued at $37.5m as part of merger.

**Plus $1.3m in convertible debentures.

Piol's starting point for investments is to define the broad areas of activity where Olivetti is looking for new products or technology. The first rule for selecting prospects is that their business must complement Olivetti's own.

"Initially, it was difficult to find the companies we wanted," he said. But Olivetti has now established a network of links with U.S. investment banks, venture capitalists and the electronics industry which provides a regular flow of information about investment opportunities.

Nonetheless, to Piol's regret, it is rare for the company to be invited to participate in the first-round of start-up financing, usually the most rewarding for investors. "If you are a private entrepreneur, you don't immediately think of Olivetti," Piol says. "At that stage you want money, not commitment to a large manufacturer."

One of Olivetti's first trans-Atlantic forays was the purchase of 17 per cent of Docutel, a Dallas-based manufacturer of banking equipment and cash dispensers, for $5.2m in 1980. The relationship has prospered, and a $37.5m merger was recently agreed between Docutel and Olivetti's U.S. subsidiary.

Olivetti owns 46 per cent of the new company, Docutel Olivetti, with an option to acquire a majority of the shares. It is intended to be the Italian company's principal trans-Atlantic bridgehead. A plan to integrate the two managements is now being worked out and will probably involve moving Olivetti's former headquarters' staff from New York to Dallas.

Docutel, a publicly-quoted company with sales this year of about $120m, an established customer base and product range and a seasoned management team, is untypical of the companies in Olivetti's U.S. portfolio. Many of the others are less than five years old, often with only one product which, in some instances, they have still to launch onto the market.

These young seedlings, Piol emphasises, need special care. His years in the U.S. taught him that corporate goliaths which buy small technology-based companies and try to mould them in their own image invariably end up crushing the vital entrepreneurial spirit which made them attractive takeover targets in the first place.

For this reason, one of Olivetti's cardinal rules is not to aim for majority control but for a "significant" minority stake which places it among the largest shareholders. In every case, it also insists on the rights to distribute the company's products outside the U.S.

In the first instance it seeks an exclusive distribution agreement, though Piol says that after two years it may be revised if the company can show that it could sell more overseas through other channels.

"That can be an attractive trade-off for a start-up company which cannot afford its own direct sales force overseas," says Pat Welch of Welch Carson Anderson and Stowe, a New York venture capital firm which is a co-investor with Olivetti in Syntrex, a word processor manufacturer. "A small company feels less threatened giving its overseas sales rights to Olivetti than if it signed away its U.S. rights to a large American corporation."

Though Olivetti's equity investments normally entitle it to a seat on the board, Piol says that it tries to ride its American herd with as loose a rein as possible. "We try to influence their product strategy, not their day-to-day operations. Our aim is to leave them independent under local management."

He admits that adhering to this principle can call for a good deal of self-restraint, especially when Olivetti's engineers start to work closely with technical experts in a U.S. company. "You cannot insist on having your way just because you are the strongest, or you kill the company.

"You must use persuasion. I cannot afford to let people think that they cannot ever lose a fight with Olivetti."

Senior executives of several of the companies say that Olivetti tends to practise what it preaches. "Olivetti is sensitive to the needs of a small company. There is a good spirit of co-operation between us," says John Lee, chairman of Lee Data, which makes computer display terminals.

According to Dieter Heidrich, president of Prolink, which has developed a low-cost office automation system: "The key thing is that Olivetti doesn't try to become expert overnight and start telling our management how to do things." Both Lee and Heidrich say that they originally sought out Olivetti as an investor.

Heidrich has known Piol since 1969 and is convinced that the latter's personal resourcefulness and pragmatism are a vital element in Olivetti's U.S. strategy. "Piol has phenomenal energy and immense tenacity in seeking solutions to problems," he says.

More modestly, Piol stresses the importance of having his own base in the Ivrea headquarters, where he can act as a contact point for the U.S. companies while remaining close to Olivetti's day-to-day operations. "I would refuse to move permanently to the U.S. because I don't want to lose touch with Olivetti's requirements."

He also insists that each of the American companies be treated as separate entities, not as parts of the same conglomerate, and encourages them to develop their own lines of communication and working relationships with Ivrea. "All our American companies are following strategies related to Olivetti, not to each other. If they are doing well, they talk to everyone at Olivetti."

In several instances, co-operation has already developed beyond just distribution arrangements. Olivetti now makes in Italy half the Syntrex word processors which it sells in Europe. It is also writing software (programming) for a non-stop computer developed by another of the companies, Stratus, which will be entitled to sell the programmes in the U.S. as part of its own product line.

The hectic pace of Olivetti's acquisition spree has started to slacken recently and the company is now starting to think about consolidating its position. Further investment in the foreseeable future will be directed mainly towards companies in which it already has an interest, notably Docutel Olivetti and Irwin Olivetti.

Over the next two to three years, Piol expects the companies in its portfolio to divide naturally into one of two categories. Olivetti plans to reduce its stake in those which either fail to develop new products or whose business strategies start to diverge from its own requirements. On the other hand, it will seek to take over others whose long-term development fits its own plans.

"I believe that we may develop a conflict of interest with some of the companies over time," Piol says. "It is rather like taking a lover. You have a lot of fun together. But a moment comes when you must decide whether to free the girl to live her own life and realise her own ambitions or to divorce your wife."


The acquisition programme is the brainchild of Carlo de Benedetti (right); Elserino Piol (left) masterminds it from Italy but spends four months of the year in the U.S.

The good, the poor and the average

"A VENTURE capital partnership with our portfolio would be very happy," according to Elserino Piol. He estimates that the venture capital investments made by Olivetti between the spring of 1980 and last October at a total cost of $63m are now worth about $90m.

The gains are chiefly due to the performance of nine companies which, he says, are doing exceptionally well. Five others he describes as "about average. But four of our companies I consider critical. Those four occupy about half my time. The ones that are doing well occupy no time at all."

He declines to identify the companies by name, on the grounds that his assessments may not be shared by the managements concerned and publication could jeopardise their relations with Olivetti.

"Until the start of this year, we didn't really understand why one of our companies was doing well or badly. We now realise that if it is performing poorly, there are two main reasons. Either Olivetti is not selling its products properly, or the management needs to be changed."

Any remedial action taken varies from case to case, though Olivetti is always careful to reach agreement in advance with the company's other major shareholders.

One of the American companies which has passed through a rough patch is Ithaca Intersystems, a manufacturer of microcomputers, which last year lost $1m on sales of $3m. Last July Olivetti and other major shareholders brought in a new chairman, Bob Klein, who had previously worked with Digital Equipment.

Disagreements over Ithaca's business plans and Olivetti's marketing of its products led to severe personality clashes between the companies, Klein recalls. "But Olivetti wisely stood back and let the dust settle before making any decisions," he says.

Piol, who sits on the boards of about half-a-dozen of the companies, admits that it has required an increasing effort to keep track of the different U.S. operations as Olivetti's investment portfolio has grown. His own staff has doubled to six over the past two years, but he is reluctant to expand it much further in case it becomes too bureaucratic.

Flexibility, he believes, is a key reason why Olivetti's excursion into venture capitalism has yielded more positive results than the acquisition strategies of some large American industrial companies. "We have done better not because we are more intelligent but because we do not adopt too rigid a policy."

THE ARTS

Hercules/Sadler's Wells Theatre

David Murray

Handel's *Hercules* is an "opera"—musical drama was the description he preferred—that prompts producers to talk of problems and solutions. The action unfolds at a majestic pace, with half the arias boasting the *da capo* repeats that drive producers to their wits' ends; there is not only a semi-detached commentator with several extended arias of his own, the herald Lichas, but a chorus that steps forward to offer sententious morals as each scene ends. Yet the music is intrinsically dramatic as well as grand, with each principal character exposed at least once to violent emotional straits.

Though I thought Tom Hawkes' easy-going, tongue-in-cheek production of *Xerxes* (in this same Handel Opera Society season) risked diminishing that sumptuously operatic piece, his solution for *Hercules*—with its dangerous leanings toward oratorio—is bold, single-minded and severely effective. In a discreetly varied single setting that would do for *Agamemnon* or *Electra* (even for Strauss's *Elektra*), he restricts his players to the simplest telling gestures and postures: always "natural," never stilted. Greek masks spare the chorus (who are excellent) from having to mime the moralising fervour of their words. The conception answers nobly to the schematic austerity of Handel's plan, and the singers enact it well.

It is not, unfortunately, well adjusted to Charles Farncombe's conducting of the score, which embodies a consuming love for *moderato* tempi (especially in Act 1, which until the final chorus seemed never to vary its ambling pulse). Hawke's frieze-like staging demands a vivid musical distinctness of each number from the preceding one; Mr Farncombe's beat on Saturday rarely sounded wrong for any particular aria (except Dejanira's diatribe to Iole, which cannot be so deliberate), but in sequence they sorely wanted dramatic contrast. Only the intelligent, sonorous Hercules of Lawrence Richard and the chorus were lucky enough to get consistently lively tempi at which they could shine.

Like her colleagues, Anne Wilkens as Dejanira, Hercules' hysterically jealous spouse, was better served by Farncombe in the later acts; her climactic scena rounded off a portrayal of much power and good sense. Their worried son Hyllus was sung by the very promising Justin Lavender, who combines stylish precision and lightness with a virile tenor ring. As Lichas, the counter-tenor Christopher Robson grew steadily more confident and musically communicative; Henry Herford gave all due authority to the tiny role of the Priest of Jupiter. For some time Ann Mackay sounded more tentative as Iole than we expect of her, ending phrases tonelessly, the lower register sounding unsupported; her lovely soprano expanded in time for the later, more intense bits of the action. The score is only slightly trimmed and re-arranged; without losing one more note, the performance could with profit be 10 or 15 minutes quicker.

Coming Clean/Bush

Rosalind Carne

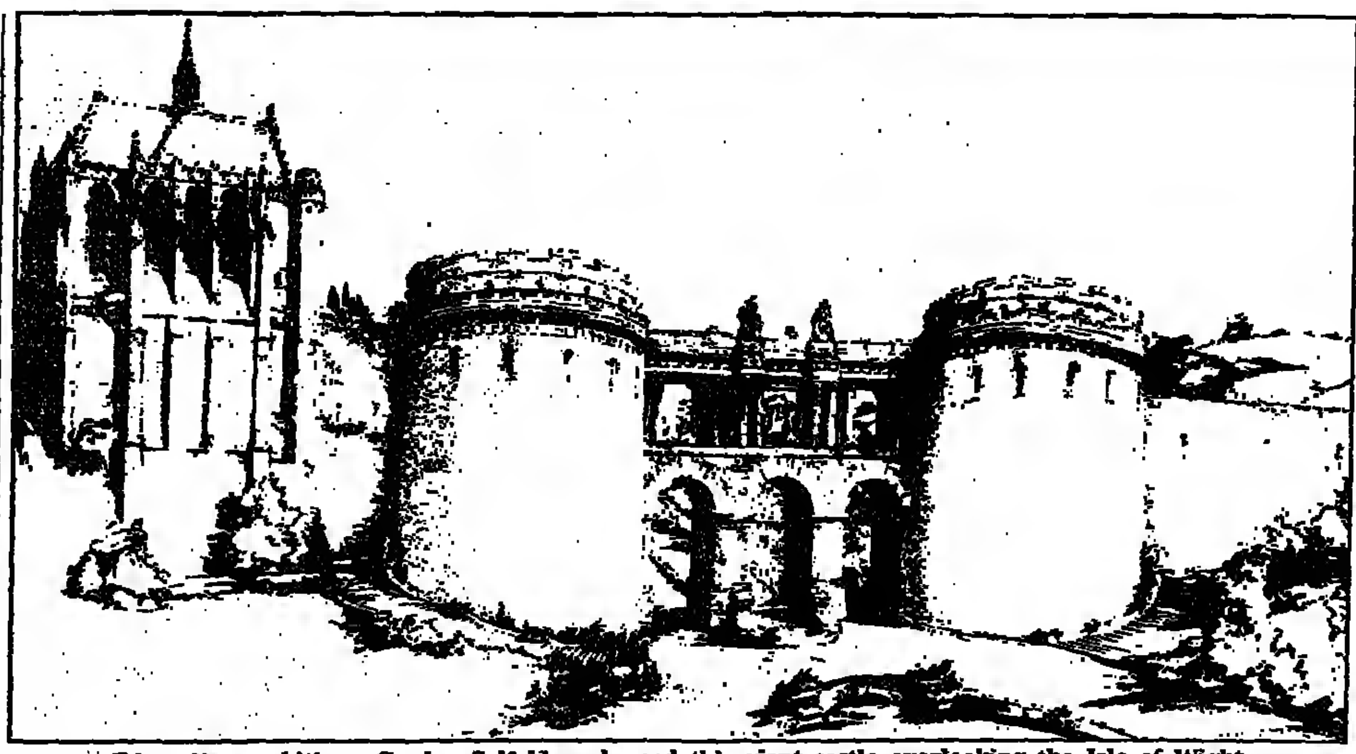
Dramatic intellect must work on a core of feeling, and though it would be possible to view Kevin Elyot's first play as a comedy of low-camp manners it succeeds precisely because he manages to stay in touch with that core. There's surface wit and nice observations of gay life in the neither regions of Tufnell Park, there are daring episode of homosexual sex, but above all there is a hot-line to the emotions in an unusually unsentimental love story.

The lovers are Tony and Greg, apparently secure in a five-year old domestic arrangement that can accommodate peccadillos on both sides. Philip Donaghy's Greg is the dominant partner, a laconic and self-absorbed New Yorker, stamped with professional success as a polytechnic lecturer. Although I have seen this accomplished actor on several previous occasions, such is his transformation in role that it was only when looking up the programme after the show that I realised who he was.

Eamon Boland has a more complex challenge as Tony, an unpublished writer whose creative insecurities are matched by his lack of glory on the cruising circuit. He is touching, but never as convincing as his flat-mate. His friend William (C.J. Allen) makes a full-time occupation of casual pick-ups, culminating in a bloody queer-bashing. He explains away his ravaged face with characteristically ladylike bravado . . . "slipped with the blusher."

With a degree of predictability, a new arrival shakes up the ménage. Robert the cleaner (Ian McCurrach) is bound to cause havoc from the moment he saunters on, a slim-hipped, golden-haired Adonis with faultless enunciation, a passion for Mozart and skin like a baby.

Naked body worship from the front row of the Bush can have an unsettling effect, but the drama never loses sight of the emotional labyrinth which results. Caught in the act which dare not speak its name, Robert scurries out and Tony and Greg launch into a crescendo of bitterness, recriminations, confession, anger and revived love that says as much about heteros as it does about their own sexual orientation. David Hayman is the director and the effective. North London interior is by Saul Radomsky.



Edwardian ambition—Gordon Selfridge planned this giant castle overlooking the Isle of Wight

Architecture

Colin Amery

The last country houses

Nostalgia for the English country house is the lifeblood of so much architectural and social history today. The existence of a flourishing National Trust; a weekly magazine devoted to the ideal country life; a flood of young aesthetes *struggling to record and imitate* a vanishing way of living—all is evidence that the country house still occupies a crucial place in the national mythology.

A new book, *The Last Country Houses* by Clive Aslet published by Yale University Press, London, £15.00, is only partly in the tradition of that great series of books, the English Country Houses, originally published by *Country Life* in the 1950s and 1960s. Mr Aslet's book is not like its predecessors in one important way. Those books looked long and hard at individual houses.

They made aesthetic and architectural assessments of Stuart and Georgian houses and provided the evidence in plans and photographs for the comparative assessment of the architecture and decoration. Mr Aslet admits in his preface that the last country houses—and he is writing about those built between 1890 and 1939—are rarely "of sufficient complexity or decorative interest to justify extended analysis and illustration."

On this point not everyone will agree with him. We will have to wait some time for the architects of this period (with the exception of Lutyens) to receive the kind of serious attention some of them deserve.

Clive Aslet, who writes regularly for *Country Life*, has adopted a thematic approach to his subject. It is a vast and complicated area and his themed chapters on the romantic house, the castle, the cottage, the garden, the servant problem, and the whole question of the social importance of the houses are succinct essays.

What a period, what wealth and what a fascinating struggle is revealed between plutocracy and art. The Edwardians emerge as creatures of excess and exhibitionism. *Gargantuan incomes*, frequently from America, brought people like the Carnegies, the Astors, the Leverhulmes and the South African "Randlords" into the lush pastures of the English countryside.

Mr Aslet is good writing about the *arriviste* world that was to build these houses. When the last Tsar of all the Russias was present at a house party at Sandringham in the early 1890s he was amazed by the guests of the Prince of Wales, "Rather strange" he wrote to his mother: "most of them were horse dealers."

The essential thing for a guest in an Edwardian country house to be was "amusing" and it is the same quality that we find in the fabric of the houses. The houses of this period are somehow not quite real. The architects took enormous pains to recreate for their clients the myths of the past. It is the myths that were becoming confused. The very rich, like the Wernhers, the James's, the Hearsts, were buying social advancement but in their country houses they hoped to appear as scions of an ancient line. Aslet's distinction between the smart and the romantic is a precise shorthand for the two types of houses.

It is the scale of the smartness that surprises us today. Gordon Selfridge (*of the shop*) wanted his architect, Philip Tilden, to create a palace behind a four mile long rampart on a headland opposite the Isle of Wight. It was never built. The Astors were more successful, building a complete Tudor village at Hever Castle to house their guests.

At one time there were 748 workmen employed on the re-building and extension of Hever and 800 labourers dug for two years to create the 35-acre lake.

This book is full of the often *gross facts of* opulence, but it also indicates the balancing thread in *English* life—the simple Arts and Crafts houses with their more austere regimes. Wherever the King visited life was rich and complicated. Mrs Ronnie Greville at Polesden Lacey knew the King's weakness for good food (he was known as Tum-Tum to his friends), and quail with ortolans makes a regular appearance in her Georgian dining room filled with portraits bought off-the-peg at Agnews.

This is a book full of incident and curiosity. It is so rich that it is hard to see the architecture for the society that inhabited it. It is also remarkably short on the literary and imaginary basis of the country house myth. In many ways the Edwardians broke the conventions that had governed the religion of the country house.

Clive Aslet's book presents the outline of the decline of the country house without reaching any interesting conclusions. He sees what money can do without drawing the moral that it was cash and commerce that transformed the very idea of the country house.

His book is essential reading *as a socio-architectural history*. It looks good and tantalises the reader into a desire to return to the writings of Vita Sackville-West, Maurice Baring, Seigfried Sassoon, Waugh, the Sitwells and Anthony Powell, *for further insights* into the reasons for the cultural collapse of the idea of what Henry James called "the great good place"—the English country house at its finest.

An exhibition *The Last Country Houses* is at Leighton House, Holland Park Road, London, W14, until November 27.

Messiah/Barbican Hall

Richard Joseph

This tired and ill-used music is aquiring a new lease of life with the introduction of period instruments and Baroque performing styles. John Eliot Gardiner's edition, heard on Saturday night, was a fresh and informed response to Handel's score, moving it away from accepted traditions and closer to Baroque operatic practice.

Like Mackerras (on his EMI recording), Gardiner often chose the least known of the alternate settings of some arias. Ornamentation, appogiaturas and double dots were applied often enough to make their occasional omission a sign of discrimination rather than ignorance, though one or two cadenzas were sung in ungrammatical places. Throughout, Gardiner's editing and conducting showed an insight and care which far exceeded the casual approach of Christopher Hogwood on an esteemed period instruments recording.

Tempi were extremely fast, with little difference between Handel's Larghetto and Allegro markings in Part One, though the chain or Largo choruses and arias that form the centre of the work in Part Two were suitably sturdy and spacious. The Monteverdi Chorus justified their trainer's decisions with fleet and accurate singing and the English Baroque Soloists came close to matching this achievement. (One would have liked to have heard the large string section complemented by four bassoons and eight oboes but given the current state of the art, half that number is probably all that is feasible).

Patches of poor ensemble in a chorus like "Glory to God," with blurred playing compounded by the Barbican's murky acoustic, quickly demonstrated the risks of Gardiner's speedy interpretation; it sounded more comic than inspiring.

Tenor Wynford Evans and bass baritone Robert Hale had trouble keeping up in their faster arias. Coluratura was fudged, which would have been unnecessary at more articulate speeds. A conductor's job is not just to see that his interpretive wishes are fulfilled, but to make his soloists sound as good as possible. Mr Hale, an American singer making his British debut, revealed a strong voice which grew more interesting the higher it went. He would undoubtedly make a more positive impression in any one of the Italian parts mentioned in his biography.

Of the other soloists, mezzo Catherine Robbin was outstanding for the unity of her middle and lower registers (she was assigned the lower soprano and higher alto arias) and the calm authority of her phrasing. Eiddwen Harrby's soprano has lost some of its former lightness and accuracy, but the fullness of tone she has acquired is compensation enough.

LPO/Festival Hall

Andrew Clements

Friday's Festival Hall concert served up its first and major disappointment as soon as one entered the foyer. Arthur Grumiaux was scheduled to be the soloist in Mozart's G major violin concerto, K.216; his appearances in London are rare enough, and his stature great enough, to have made the evening an event. But Mr Grumiaux is unwell and has had to cancel a whole series of engagements. In his place the London Philharmonic had secured Mayumi Fujikawa, who joined the conductor James Conlon in the same Mozart concerto.

The combination was not a happy one. Mr Conlon had previously given notice of his approach to Mozart in the C major symphony K. 338: well manicured, driven rather briskly and unfailingly stylish. Miss Fujikawa is a reliable, somewhat predictable artist, and on this occasion also she turned in a poised, confidently projected performance. With Mr Conlon keeping such a firm grip on things, and his scaling-down of the orchestral forces that reduced the bass and emphasised the upper register, the result was brittle and unyielding.

However unfair it might have been to Miss Fujikawa, it was difficult not to imagine how Grumiaux might have played the same concerto, and how he could possibly have charmed Mr Conlon out of his lofty gentility. The occasional spark of intellectual or engagement in either soloist or conductor might have brought life into the proceedings. Curiously Miss Fujikawa reserved her most intense playing for the cadenzas, which were those by Ysaye, complete with a left-hand pizzicato. Those dramatic peaks that Mozart himself provides in this concerto were generally untouched.

Fanciulla del West/Covent Garden

David Murray

Superbly figged out, Puccini's Gold Rush fantasy rides again at the Royal Opera: very high camp, very spaghetti-Western. If *Fanciulla* is to be done now, the way to do it is Piero Faggioni's—his production, his costumes, his lighting. This baroque cinema-style, all elegant line and high shadows, perfectly accommodates Italian figures in a wild-West landscape; the charade can be played for all it's worth without asking us to take it *seriously*. With the *sets*, Ken Adam inflated picturesque turn-of-the-century naturalism to *Ring*-scale without letting it burst. Minnie's log cabin suggests homeliness, a millionaire's ranch-house retreat and Hunding's hut (complete with World Ashtree) all at once. It is deeply *satisfying* that the cabin door should regularly swing wide to admit a cruel blizzard of cornflakes.

Many of the grown-ups attending these costly performances will be doing so to hear Palcido *Domingo as Dick Johnson*. On Friday he was in resplendent voice; if his range of softer shades is meagre compared to his forthright strengths, that matters not at all. His honest bandit is formidably persuasive, more inclined to suffer than to strut. The wicked Sheriff is yet again Silvano Carroll, who may well be irreplaceable, not only for the fine dramatic edge of his dark baritone, and his sleek, sulphurous panache, but for his magnificent work with his dazzling white-over-black fur coat.

Besides Jean Bailey's prickly squaw Wowkle, the otherwise all-male lesser roles are cast from strength; Robert Lloyd, Francis Egerton, Norman Welsby, John Rawnsley and Paul Hudson stand out particularly. The plot summary in the programme *is too mingy* with the human-interest details of their byplay—many bits of the longish Act 1 are lost on the audience, and characters left unidentified.

The assured and attractive new *Minnie* is *Marilyn Zschau*. Granted a touch of hardness in her top notes, she has everything the role requires, and power to spare. I fancy Puccini may have intended a more radical transformation from pious young spinster to pistol-packing tigress — Miss Zschau suggests a *wise coquette* from the start, evidently awaiting just the sort of hero she promptly wins—and her first wistful aria is too sturdy to bring out its fragile grace. Once embedded in strong situations, however, she blazes away to *admiration*. The score is in the safe, gently firm hands of Nello Santi, who does everything he can to reconcile us to the native whole-tonery of Act 1 and the later clear but irrelevant echoes of *La Mer and Pelléas*. Such stuff was to be better assimilated for *Turandot*; but here *Fanciulla del West* gets inspired special pleading.

Alastair Muir

Marilyn Zschan and Placido Domingo

Texaco to sponsor ECO tour of USA

Texaco is to sponsor the English Chamber Orchestra's 1983 tour of the United States. It is providing over £60,000 for the ECO to undertake a 15-city visit in October/November 1983.

In all the ECO will give 17 concerts in 26 days, including two in New York City. Sir Charles Mackerras will conduct all concerts on the tour for which a new work by Robin Holloway has been commissioned especially by Texaco.

Charlie Chester in G & S

Comedian Charlie Chester is to make his debut in a West End musical in a new version of Gilbert and Sullivan's *Utopia Limited* next month.

The BBC radio personality will be joined in the cast by Ron Moody, Hugh Paddick and Andrew C. Wadsworth.

The opera has been staged *only once since the 1890s*, when the D'Oyly Carte presented it for a *short season in 1975 as* part of the company's centenary.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 5–11

Music

PARIS

Ensemble Intercontemporain conducted by Ronald Zollman: Baird, Sikora, Lutoslawski (Mon). Theatre du Rond Point. (2567080).

Siegfried Jerusalem recital (Mon). Theatre de l'Athenee. (7426727).

Radio France Chamber Music, Byron Janis, piano: Haydn, Brahms, Ravel, Chopin (Wed). Theatre des Champs Elysees. (7234777).

Orchestre de Paris conducted by Eugen Jochum: *Bruckner's 5th Symphony* (Wed, Thur). Salle Pleyel (5638873).

Nouvel Orchestre Philharmonique and the Radio France choir conducted by Jacques Mercier: Renaud Gagneux Requiem (Wed). Saint-Germain-des-Pres Church (2693184).

LONDON

London Symphony Orchestra conducted by Colin Davis. Tippett Fourth Symphony and Berlioz Symphonie *Fantastique* (Mon, 6.30 pm). Barbican Hall. (6388891).

Philharmonia Orchestra, conducted by Riccardo Muti with Emil Gilels, piano. Beethoven. Royal Festival Hall (Tue). (9283191).

London Sinfonietta conducted by Simon Rattle with *Paul Crossley*, piano. Messiaen Des Canyons au Etoiles. Queen Elizabeth Hall (Tue). (9283191).

LSO Brass Ensemble conducted by Howard Snell. Copland, Tippett, Schuller and Mussorgsky. Barbican Hall (Tue, 6.30 pm).

London Mozart Players conducted by Harry Blech with Ingrid Haebler, piano. Schubert, Mozart and Haydn. Queen Elizabeth Hall (Wed).

London Symphony Orchestra conducted by Colin Davis. Tippett and Berlioz. Barbican Hall (Wed).

London Symphony Orchestra conducted by *Colin Davis with Uto Ughi*, violin. Berlioz and Mozart. Barbican *Hall* (Thur).

Royal Philharmonic Orchestra conducted by Antal Dorati with Eugene Istomin, piano. Brahms and Beethoven. Royal Festival Hall (Thur).

VIENNA

Musikverein (658190): Stefan Askenase, piano. Scarlatti, Schubert, Chopin and Beethoven (Mon); Edith Mathis, lieder recital. Beethoven, Brahms, Schubert and R. Strauss (*Tue and Thur*); *Festival Strings Lucerne*, conductor Rudolf Baumgartner. Corelli, Purcell, Bach, Boccherini and Britten (Wed).

Konzerthaus: Vienna Symphony, conductor David Shallon. Schoenberg, Beethoven and Mahler. (Thur).

HOLLAND

Rotterdam Philharmonic Orchestra is *giving a series of concerts through*out November in the Grote Zaal of the De Doelen concert hall. Haydn, Stravinsky and Schubert on Thur. and Fri. (Nov 11, 12). On No 25,26 it *is Mozart and Beethoven*.

NEW YORK

Carnegie Hall: Philadelphia Orchestra with Klaus Tennstedt conducting and *Doris Soffel mezzo-soprano*. All Mahler programme (Tue); Prague Symphony Orchestra with Jiri Belohlavek conducting and Eugene Fodor, violin. Kubik, Brahms, Dvorak (Wed); Classical guitarist Narciso Yepes plays Bach, Adriaesen and Kellner (Thur). (2477459).

Avery Fisher Hall: New York Philharmonic conducted by John Nelson, Samuel Ramey, bass. Schumann, *Shostakovich (Tue)*; *Rafael Kubelik* conducting. Adras Schiff, piano. Mozart, Bruckner (Thur). (2742424).

92nd Street Y (1395 Lexington): Hermann Prey, baritone. Schubert songs and ballads (Wed). (4274410).

Alice Tully Hall: Marlboro Chamber Ensemble. Mozart, Beethoven, Dvorak (Mon). (3621911).

Metropolitan Museum of Art: Michel Piguet Baroque Concertino. Albinoni, Scarlatti, Vivaldi (Thur). (5703949).

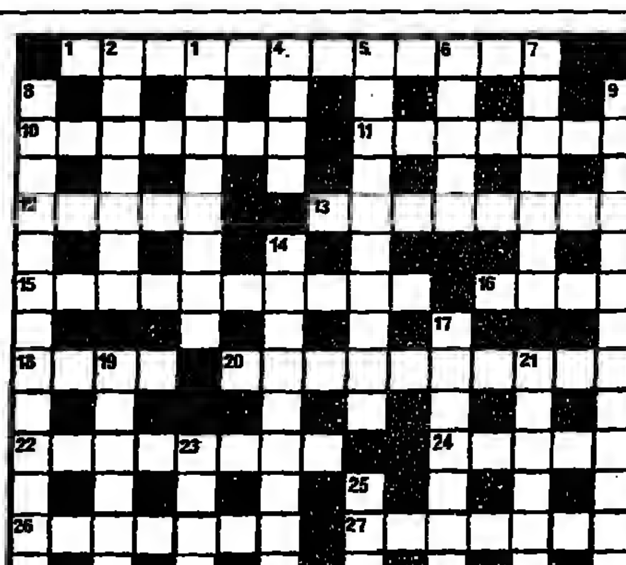
WASHINGTON

Concert Hall (*Kennedy Center*): Wiener Strausscapelle, Lehar and Ziehere (Mon); National Symphony, Christopher Keene conducting Raymond Lewanthal, piano. Corigliano, Rachmaninoff, Elgar (Tue, Wed, Thur). (2543600).

CHICAGO

Orchestra Hall: Chicago Symphony conducted by Georg Solti with Eunice Lee, violin. Panufnik, *Paganini*, Mendelssohn (Wed); Chicago Symphony conducted by Georg Solti with Lydia Mordkovitch, violin. Panufnik, Glazunov, Mendelssohn (Thur). (4356666).

F.T. CROSSWORD PUZZLE No. 5,019



ACROSS

1 Break to cover the task-force (12)

10 Nozzles for aeroplanes on American fuel? (3-4)

11 An attractive item, nothing more for a small generator (7)

12 Jane has one in the nest (5)

13 Periodical signal to wake the military (8)

15 He dabbles superficially as he has talent tied in knots (10)

16 What lies at sea in the sea? (4)

18 We in being in the red were in debt (4)

20 Sailor and Scotsman on the road (10)

22 In this apparent indication (8)

24 Kings are accepted as being less common (5)

26 French revolutionary leader says hello in an Indian language (7)

27 Can I be friendly? (7)

28 The place for a poet and economist? (6, 6)

DOWN

2 Breather, one of two we have to face (7)

3 In chapel even this late hour (8)

4 Writings about one young lady (4)

5 Season that starts in March (10)

6 One topless by the fireplace (5)

7 Practically unnecessary pointers (7)

8 Consented after negotiation as to how the school year is divided (6, 2, 5)

9 Protected German money and French where goods are sold (7, 6)

14 Drink taken from harmonicas (10)

17 Inadequate supply leaves its mark on the town (8)

19 Noted saying: "Mixed pie has little weight" (7)

21 Long-lasting goods (7)

23 Praise when old road tax finished early (5)

25 What punters do in return (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Solution to puzzle No. 5,017

Bot

FINANCIAL TIMES
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Monday November 8 1982

Future of the Falklands

THE PROBLEM of the Falkland Islands is, as always, one of perspective. In that sense, the vote at the United Nations General Assembly on a resolution calling for the resumption of negotiations between Britain and Argentina on future sovereignty did not go all that badly. Ninety countries voted in favour of the resolution, 12 voted against and 52 abstained.

It should be remembered that this was the General Assembly, not the Security Council. The Assembly's resolutions are in no way binding and the Assembly tends to have a large built-in majority for any resolution that can be remotely regarded as anti-colonialist. For Britain to secure 52 abstentions on a resolution of such obvious sensitivity is not bad going.

It is true that the U.S. voted with Argentina, a fact which has dismayed Mrs Thatcher, the British Prime Minister. But here again the sense of perspective comes in, or should. It is not obvious that the U.S. should risk jeopardising its relations with Latin America for the sake of siding with Britain in what looks to the eyes of much of the rest of the world like a small, anomalous dispute.

There is a case for saying that Britain, too, should see matters in this more global way. Good relations between North and South America, and between the Americas and Europe, are in Britain's interest.

UK perspective

Yet there is also a British perspective. It is unrealistic to expect that a country which has just lost several hundred dead, suffered many more casualties and great expense in repossessing a territory that was invaded should quickly re-open negotiations with the aggressor with the aim of giving it away.

It is not just Mrs Thatcher and the popular Press who think like this. It is a perfectly understandable view, for which we have considerable sympathy. Besides, negotiations with Argentina have never been easy.

The trouble is that Argentina views negotiations with only one end in sigth: namely, the total transfer of sovereignty to Buenos Aires.

Britain should have no difficulty about defending its position, legally, morally or intellectually. Article 73 of the UN Charter, which deals with non-self-governing territories, lays down the "principle that the interests of the inhabitants of these territories are paramount." Successive British governments have conformed to this Article in every way, including Section E which calls for the regular transmission of information about the territories to the UN Secretary-General. It is Argentina, not Britain, which is in breach of the Charter.

Cooperation

To return to the sense of perspective, however, British possession of the islands in the 1980s is anomalous. It is expensive. The costs of the Falklands campaign may have been absorbed, but the costs of servicing the islands and preventing another invasion may be very large.

It is also very difficult to see how there can be any extensive economic development of the islands without co-operation from neighbouring countries, and that is not forthcoming in current circumstances.

There remains the question of the size of the population. How far should or can Britain go to defend around 1,800 people 8,000 miles away, if there are other possibilities?

It is towards those possibilities that the Government should be looking: not perhaps now while passions are still high, but in the relatively near future. It is right that the Islanders should be consulted, although not in such a way as to encourage them to seek a blank cheque of British support for ever and a day.

It would be wise to include a team of UN observers in the consultantions. There are also procedures under the UN Charter which allow for non-self-governing territories to be placed under international supervision: for example, UN trusteeship

As we argued during the campaign, the international approach is the best. We continue to urge that now.

Mr Brezhnev and his generals

PRESIDENT REAGAN is only one of many people assessing what last week's U.S. mid-term elections bode for his next two years in the White House. So are leaders in the Soviet Union, whose press has been describing the Congressional results as a setback for the Republican president and his policies and has noted with a certain satisfaction the success in several U.S. states of resolutions calling for a freeze on nuclear weapon production and deployment. This is likely to reinforce President Brezhnev in the tough foreign policy line he recently laid down.

Mr Brezhnev told his army and navy commanders late last month that the Soviet Union, offended by the "adventurism, crudeness and egoism" of U.S. policy in the past two years, would match the Reagan administration's re-armament programme. To lag behind in the intensified competition in weapons technology with the U.S. would be "inadmissible," he said.

It is as though Mr Reagan has come as a delayed shock to the Kremlin. The Brezhnev leadership has now dealt with five U.S. presidents, and it may well have thought until very recently that, for all his rhetoric, Mr Reagan would prove another Nixon-style conservative with whom it could do business. But so far Mr Reagan has stuck to his guns.

Spending

The alarming feature is how the superpower hawks feed on each other. Mr Caspar Weinberger, the U.S. defence secretary, quickly concluded that the Brezhnev speech emphasised the need for the U.S. to plug on with increased military spending.

This in turn will probably reinforce the advice which Mr Brezhnev seems to have been getting increasingly from his specialists on the U.S. like Mr Georgy Arbatov. They have been saying in public that the Reagan administration is proving impossible to deal with; therefore the Soviet Union should assume a defensive, hedgehog-like, posture, preparing for the worst and postponing diplomacy until there is a more accommodating incumbent of the Oval Office.

Yet, it is not so simple for the East or so bleak for the West as a first reading of Mr Brezhnev's speech might suggest. For the Soviet leader also went on to remind his military of the shortages and bottlenecks in the Soviet economy, which needed serious attention, particularly in agriculture.

The fact that he felt impelled to assure the military that they were getting the "most advanced weapons and military hardware" implied some of the generals had been complaining that they were not. It would be hardly surprising if a dispute over guns versus butter were intensifying in Moscow. At a time when military spending already takes anything up to 15 per cent of Soviet national product, further defence increases would severely burden the civilian economy.

The Soviet Union, then, has a motive to negotiate a lower level of arms stockpiles and arms spending with the U.S. The West, for its part, must encourage this by its own collective firmness and not present the Soviet Union with political divisions to exploit.

The West has no reason to quiver at Mr Brezhnev's words. It is certainly depressing that a year of U.S.-Soviet talks in Geneva has brought no apparent progress on reducing the Soviet preponderance of medium-range nuclear weapons. The Soviet Union has so far rejected the U.S. "zero option" which would leave the Soviet Union without its existing SS-18 missiles in Europe and Nato without any of the Cruise and Pershing missiles it otherwise plans to deploy next year. But the latest nuclear freeze referenda in the U.S. underline how right the West Europeans were to persuade Mr Reagan to table the "zero option" in the first place. In any case, it was always unlikely that the Soviet Union would get down to brass tacks in Geneva, until it actually saw the Cruises and Pershings being installed in Western Europe. If the "zero option" conclusively fails, the West must see the new missile deployment through.

A united Western position on this issue is vital. So, too, is an end to the argument over the Siberian pipeline, where negotiations between the allies appear to be making progress. What remains disturbing is the divergence of view between the hawkish line espoused by some members of the Reagan Administration and the more conciliatory approach to East-West relations followed by most European governments. The apparent hardening of Mr Brezhnev's line should not deflect the West from the patient search for arms control agreements.

VISCOUNT ETIENNE DAVIGNON

Europe's man of steel

By Giles Merritt in Brussels

"IT'S NOT fair," complained Viscount Etienne Davignon with just a hint of pride as he replaced the telephone. "Now they're dragging me into fish."

With Mr Gaston Thorn, the President of the EEC Commission, away on a visit to Nepal, it was scarcely surprising that the Brussels Commission's foremost fire-fighter should be co-opted into the last-minute negotiations on the common fisheries policy that have, after six turbulent years, now put a settlement tantalisingly within reach.

For negotiation is "Stevie" Davignon's forte and the recent dramatic conclusion of eight months of EEC-U.S. arguments about Europe's transatlantic steel exports until the end of 1985 have reinforced his reputation.

The final steel restraints deal was, indeed, an impressive performance by M Davignon. Just turned 50, the former Belgian diplomat, now half-way through his second four-year term as Belgium's EEC Commissioner, is an unchallenged "baron" of the Berlaymont, the headquarters of the Community.

His exceptional portfolio combines both industry and energy, but just where he goes from his present commanding position is, intriguingly unclear. For the lanky, urbane and irrepressibly self-confident Belgian aristocrat is not without his opponents—in European politics and industry.

Two years ago he made a determined bid for the Commission presidency, only to find himself blocked by the implacable opposition of France's then President Giscard d'Estaing. Davignon's outspoken calls on France to join the International

No longer is he regarded as a miracle worker

Energy Agency when he became its chairman in 1974 were just the first of the slights that Giscard never forgave.

In Belgian politics his active role and indeed his lineage as the grandson of the country's Foreign Minister before the first World War, should guarantee him a golden future. But the premiership is almost certainly beyond his grasp. M. Davignon is a member of the PSC Francophone wing of Belgian's ruling Social Christians and the prime minister's office is traditionally the fiefdom of the larger Flemish CVP wing.

Yet M Davignon is boundlessly ambitious, and his combination of energy and impatience makes it probable that he is already pondering his next move. The days, though, when his tactical successes in steel policy making led him to be dubbed "Stevie Wonder"—his nickname since childhood but also that of an evanescent pop star—are gone. All of the Davignon "dossiers" are in long-term trouble. No one any longer regards him as a miracle worker.

M Davignon himself is uncomfortably aware that little has changed to improve the prospects for the EEC's battered steel industries. 1982, he says, has been the year of damage control. Next year must be that of unpalatable strategic decisions.

Early last month, M Davignon produced a memorandum to EEC governments — somewhat eclipsed by the final stages of the U.S.-EEC pact — that set out the stark reality of the steel industry's position. By the end of 1985, when the state aids now propping up the steelmakers become illegal, steel will still be saddled with "unbearable structural overcapacity."

Despite the plant closures and lay-offs that during the past five years have cost 150,000 men their jobs and clipped the EEC steel workforce by almost a quarter, Europe's steelmakers will by 1985 have made little dent in the overcapacity problem.

In finished products, output will be no more than 102.6m tonnes and quite possibly less, while capacity will be 150.9m tonnes. In crude steel, the gap will be between a maximum output of 142m tonnes and capacity of 200m tonnes, meaning that on present showing the EEC steel industry will over the next three years pare a derisory 2m tonnes or so off potential output.

At first sight, M Davignon's warning could have been mistaken for a re-run of his earlier calls for capacity cuts that would nurse the industry back to the financially healthier position of working at 85 per cent of installed capacity rather than the present disastrous 55 per cent or so.

In fact, both in his memorandum and in conversation, M Davignon is now making plain that his thinking on the future of European steel has evolved into a strategy that goes well beyond the "safety net" objectives that shaped the various Davignon Plans that since 1977 have stabilised prices and production.

The new Davignon approach is no longer to concentrate so hard on the need to narrow the gap between actual and potential output, but instead on achieving efficiencies that will permit steelmakers to operate far below capacity. The key he believes, is in the financial break-even performance that new or streamlined plant can give. "And there, once again, the Japanese are showing us the way," he says, "with plans for plant that will break even at 50 per cent of capacity."

Looking towards the 1990s, M Davignon can conjure up visions of an EEC steel industry which, thanks to an ambitious investment and technological research drive in this decade, will have overcome its chief handicaps. The productivity levels that make European production costs some 15-20 per cent higher per tonne of steel than those of Japan will have been drastically improved, and to that end the EEC steelmakers will have forsworn the twin "strategic" arguments that have dogged the industry's thinking.

The first has been the steel producers' belief in a future cyclical upturn in demand, which has inhibited capacity cutbacks. M. Davignon believes that market conditions have now made it plain to steelmakers that their fears of ever having too little capacity are groundless. In any case, he adds, lowered break-even levels permitting plant to be run at around 70 per cent of capacity will ensure reserves of output.

The second and much more fundamental, strategic consideration governing national policies on steel has been the view that each major EEC member state and even each of the large producers should make the fullest range of steel products to ensure national self-sufficiency.

M. Davignon says he is convinced that for the EEC industry to survive will require the development of "complementarity" in which different national producers each concentrate far more on separate sectors and develop cost-saving product exchange techniques. He points to the blueprint of the recently agreed EEC man-made fibre producers' pact for a radical set of complementary closures and stresses that steel will find it commercially necessary to follow suit.

But first, as M. Davignon emphasises, there is the critical deadline of 1985. Urgent decisions are needed to determine the industry's survival and also its health in the next 10 years or more.

The special session of the EEC Council of Ministers that is to be held in Denmark on November 18—and devoted exclusively to steel—is being pinpointed by M Davignon and his officials as a political event that will set the scene for next year's gritty negotiations between the European Commission and the steelmakers. A firm expression of political will by EEC governments to trim their steel industries is needed if the 1983 decision-taking process is not to be stymied at the outset.

It will, it is already clear, be far from easy for governments to do that. Export-reliant steel producing countries like Belgium and Luxembourg face serious social and economic consequences. Italy can point to profitable independents and better than average demand, West Germany to its efficiency in the market place, France to its restructuring efforts and Britain to a closures drive that has put it far ahead of other EEC partners and accounted for one in every two redundant EEC steelworkers.

To cut through the conflicting claims to larger shares of a shrinking sector, M Davignon aims to stick to a simple yardstick for deciding which concerns must make the most sacrifices. "It is absolutely essential," he insists, "that these strategic decisions should be taken against the yardstick of each enterprise's financial viability by 1985." He rejects the notion that EEC governments could, or should even be asked to, agree some form of restructing quotas setting out the proportionate cutbacks to be borne by member states.

As M Davignon contemplates the hard bargaining over steel that is soon to begin, his instinct for negotiation and what he himself calls "fond persuasion" becomes apparent. He has more bad news in store for steel, which will certainly make the talking tougher, but is concerned that its formal announcement needs "delicate timing" so as not to scare governments into hardening their positions.

First, the Brussels Commission's analysts now see steel consumption in the Community dropping by a further 6 per cent in 1983 from this year's levels. That means that the steady decline in output that by the end of this year will mark a post-war low at 102.5m tonnes of crude steel, against 125.1m in 1981, will persist. Second, and even worse, the Commission is certain that the production levels it had forecast for 1985 and which must form a basis of cutback negotiations, are optimistic.

The projections had been alarming enough, emphasising as they did that a range of products from finished coils to heavy sections and plate would

On the brighter side, the target is misleading

suffer cuts amounting to several millions of tonnes, but now M Davignon warns that those figures "are definitely on the high side." How optimistic they were—they envisaged industrial demand for finished steel products of 93m tonnes in 1983, against 93.88m tonnes in 1978—is either still under review or possibly is a card that M Davignon is for the time being keeping close to his chest.

There is, however, a brighter side to M Davignon's assessment of the situation. It is that the impossible target of 48m tonnes of EEC capacity in finished steel products that apparently needs to be cut by 1985 is misleading. In his own words: "The overcapacity figures are at the same time essential and totally misleading." Apart from being swelled by obsolete plant that steelmakers have used to strengthen their case for larger production quotas, the figures also take account of the unused capacity of the plant that having already been amortised is cheaper to run at low levels of output than to close. To evaluate the importance of such comparatively benign overcapacity, M Davignon has initiated a product-by-product survey of the industry in the hopes of having more reliable overcapacity figures next year.

Even with more accurate figures, and taking into account M. Davignon's hopes of improving break-even operating levels that would permit higher overcapacity margins, the cutbacks that will be under discussion must still be daunting. Instead of 48m tonnes of finished product capacity to be cut, perhaps the 1985 target could prove to be nearer 30m tonnes. With only three years' leeway, it will be a formidable task for an industry that in eight years of crisis has barely altered its installed capacity. For EEC governments it risks becoming a political powder-keg.

Ashley Ashwood/Brana Radovic

The new Davignon approach may enable steelmakers to operate far below capacity

HOW EMPLOYMENT HAS TUMBLED

Figures in thousands

	1974	1975	1976	1977	1978	1979	1980	1981	1982†
UK	197.7	190.7	183.3	182.0	170.0	162.0	134.0	98.0	84.1
West Germany	230.6	226.7	220.3	214.4	205.0	204.0	201.0	192.0	182.3
Italy	93.8	96.0	96.9	97.3	96.3	98.0	101.0	98.3	95.7
France	155.7	157.0	155.1	149.3	135.8	125.0	114.0	100.2	97.4

Figures are monthly averages for ECSC activities. † Provisional figures for January to September.
Source: Eurostat Quarterly Iron and Steel Bulletin.

Men & Matters

Small and sweet

It was a sweet-toothed colleague, Nicholas Colchester, who advanced the black art of economics recently with his explanation of a great truth—that the value of the Mars Bar is a basic and reliable yardstick of the economy.

Now it is good to be able to report that those inventive Mars people have not been resting on their laurels.

While Mars Bars continue to sustain and to make their contribution to economic analysis, the company is out to win a wholly new £10m a year market with a very different product.

It sounds improbable, but Mars has designed from scratch, in three years, a mini-radar set for small boats.

Sets are now coming off a production line at Slough and a new factory to employ 300 is being built at Reading to make them.

The Vigil radar set is about half the weight of other radars and is much smaller. At a retail price of £998, without VAT, it is also by far the cheapest.

Mars believes it will enable radar to be used (with greater safety at sea) by some 500,000 small pleasure boats and fishing boats in Europe and North America.

But why has Mars made a quantum leap from the scrumptious bar to radar? Well, its all a question of business management. The two American brothers John and Forrest Mars who head the privately-owned company want to expand by creating new businesses as independent profit centres.

Mars Money Systems, which was started for that reason, is now the world's biggest maker of electronic coin mechanisms.

Its success prompted the brothers to start yet another new business in marine electronics for small boats.

The radar is their first "in-house" product. It is entirely British-designed and built, and Peter Harrop, general manager of Mars Electronics, assures me there is nothing else to touch it anywhere.

"There was no market for small boat radar—boats under about 35-feet" he says. "We did our market research and have created our own market which we are confident will give us sales of £10m a year."

As his Mars Money Systems has increased turnover from £1m a year to approaching £30m a year in five years I believe him.

Nut cases

News that the world's first "cocobomb" has been successfully tested by the wily boffins of the Philippines armed forces should be a matter of more than passing interest to us all.

It will, of course, come as no surprise to coconut cognoscenti that this versatile fruit has provided yet another use for mankind.

The Indonesians, who know a thing or two about cocos nucifera, claim it has as many uses as there are days in the year. Apart from food and drink, it can be used to make soap, shampoo, margarine, detergent, synthetic rubber, hydraulic brake fluid, ropes, mats. . .

But enough in praise of the coconut — back to the practical consequences of what the Philippines will no doubt try to pass off as a coconut explosion "for peaceful purposes."

The good news is that the age of the cocobomb will come as a badly-needed shot in the arm for the depressed coconut oil market, not to mention the depressed commodity brokers languishing inconsolably in their Caribbean hideaways.

A price recovery would certainly be welcome for the Philippines, where the coconut is the basis of the biggest single export industry.

The bad news is that a new arms race may be sparked off among all those ambitious little tropical paradise islands where up to now a bomb was merely something you made out of tourists.

A fearful thought, that all those Aunt Sallies might become weapons of war. Nobody knows just how many coconut palms there are in the world. But it is estimated that up to 15bn nuts are produced each year.

Pig tale

Vital Government research does not seem to have suffered unduly from President Reagan's much-vaunted budget reductions. The U.S. Department of Agriculture's research service has a new study under way to determine what makes farm animals unhappy.

The questions which scientists are seeking to answer include: "Does technology impose unreasonable stress on pigs? Are the animals comfortable? Miserable? Somewhere in between?

In order to find out, the reactions of pigs to different conditions will be recorded by cameras at 10 minute intervals throughout the day. Scientists will also test hormone levels to see how pigs take to confinement.

"Through the measurements, we want the animals to tell us whether they are happy or not," says an environmental physiologist working on the project.

The study is by no means frivolous, say USDA's researchers. By recording the responses of pigs, they expect to "come up with facts on which to base management decisions which take into account the well-being of farm animals as well as efficient meat production."

Donaldson's Law

Full marks to Sir John Donaldson, the new Master of the Rolls, for his plea to Parliament to make the law more readily understandable by the ubiquitous man on the Clapham omnibus.

Anyone who has ever wrestled with the dense and circumlocutory wording of so many Acts of Parliament will readily endorse Sir John's view that clarity and simplicity should be given as high a priority as refinements of policy.

Sir John suggests that, when formulating policy, ministers should ask themselves "Is this concept too refined to be capable of expression in basic English—and if so, can we modify the policy so that it can be so expressed?"

He accepts that having to do that may be frustrating for ministers. But, he says, that is part of the price to be paid if the rule of law is to be maintained.

Particularly in industrial relations, he says, it is vital that the worker on the shop floor, the shop steward and management should be able to find out what the law does and does not allow by reading plain and simple words of guidance.

Good Party

The Liberal party in Canada, meeting in Ottawa at the weekend, reached one of its most sensitive resolutions. The youth wing was attacking back-room politics and, by implication, the leadership style of Prime Minister Pierre Trudeau.

But, standing at the side of the hall while the convention threw itself into impassioned debate, was Svend Robinson, the New Democratic party spokesman for justice. It was as if a Labour leader in Britain had slipped into the Conservative conference.

The enemy had slipped through the security, as he put it, "just to see the fun." He was spotted and security officials were instructed to request his removal.

But, short of calling the police which would have given the Liberals undesirable publicity, there was little that could be done to make Mr Robinson leave in a hurry.

He said he would go when he had drunk his beer. But by the time he had finished his drink the convention had completed its business for the night and the fun was over.

Observer

CHANGE IN SOUTH AFRICA

Botha gets his opportunity

By J. D. F. Jones in Johannesburg

SOUTH AFRICA'S Prime Minister, Mr P. W. Botha—the former Defence Minister who claims to have committed his Government to reform and change — is having a good month. The International Monetary Fund has ignored the protests of the United Nations and the anti-apartheid movement and agreed, with American and European support, to lend the Republic $1bn to help it through the recession.

Last week Mr Botha's National Party won the three parliamentary by-elections it was contesting without serious embarrassment — as he had feared — from his enemies on the extreme Right.

Elsewhere in South Africa, life has been continuing as usual. Dr Beyers Naude, the country's most distinguished churchman and Afrikanerdom's most famous rebel, is getting used to the renewal of his banning order for another three years: Durban City Council has voted to desegregate public lavatories but Johannesburg holds back; the Namibian negotiations are still deadlocked; the Sri Lanka rebel cricket visitors, hailed here as champions of freedom, are playing third-rate stuff; the drought has broken.

There was never any doubt about the availability of the IMF loan once the Cabinet had been persuaded a few months ago to adopt the sort of programme of monetary and fiscal restraint which was certain to appeal to the Fund — indeed,

Botha can relax—but now he has no excuse

critics should note that one of the hidden benefits of the loan is that it will help South Africa's technocrats insist that the politicians maintain restrictive policies and exchequer cuts as long as needed, perhaps into 1984.

But the holding of four by-elections on the same day was more of a gamble. The Government has for six months been selling the country, and in particular its own National Party, a programme of major constitutional reform which, apart from creating an executive presidency with Gaullist powers, is mainly notable for proposing to bring the Coloured and Asian minorities into the White political system while changing nothing for the Blacks.

Mr Botha thereby split his own Afrikaner volks and was fighting two white supremacist parties to his right, the Conservative Party and the Herstigte Nasionale Party (HNP). In August he had a nasty fright when a provincial Transvaal by-election in Germiston, left the National Party victor with a minority of the votes in a three-cornered fight. It had become desperately important that the party held firm last week.

In the event, he can relax. The upshot of the mini-election is that Mr Botha can claim he has a fresh mandate to add to his thumping parliamentary majority. There is now no further reason for not getting on with the long-heralded reforms.

But what will these reforms amount to? They can spell revolution to one South African but be of marginal interest to another. Mr Botha's supporters may perceive themselves to be changing dramatically while his critics continue to dismiss his policies as "cosmetic," "pragmatism," or "rearranging the deckchairs on the Titanic."

The answer will have to emerge during this year ahead. There are four broad areas which deserve to be watched because they will reveal the extent and meaning of South African change.

(1)—The constitution

The Prime Minister has challenged the racist prejudices of the Whites by proposing to find room for the Coloureds (2.5m) and Indians (0.8m) in a White (4.5m) political system. His decision to do this—for whatever motives—deeply disturbed large numbers of Whites. The drama of this volte-face must not be under-rated.

The problem is that he may have gone to all this bother without persuading the Coloureds and Indians to accept the invitation. So far, only a couple of the smaller and less influential Coloured organisations have agreed to co-operate, while there is evidence that many Coloureds have been radicalised, and driven closer in sympathy to the Blacks.

Ominously, the middle of the road Association of Management Committees rejected the constitutional guidelines a month ago and, even more dangerous for Mr Botha, the "Black Alliance" (which links the Zulu Inkatha Movement of Chief Buthelezi with the Indian Reform Party and the (Coloured) Labour Party, seemed to say the same a fortnight later.

Prime Minister Botha seems to be holding off the challenge from the Right.

Most people here agree that it is essential that Mr Botha win the backing of the Labour Party, led by the Rev Allan Hendrickse and the veteran Mr David Curry, at its annual congress early in January—and that is looking highly improbable unless the "white man's" offer can be improved.

(2)—The Confederation

"South Africa is changing," say the advertisements, but that is not intended to apply to the political prospects of the country's 20m black majority. Except for the possibility of some black municipalities, Dr Verwoerd's master plan under which the black tribes achieve their political expression in ethnic "nation-states" (or homelands, or bantustans, as they have at various times been dubbed) is to proceed on target if not on schedule.

The refusal of the constitutional planners to include black change is the reason why the opposition Progressive Federal Party (PFP) has declined to participate in the President's Council forum — interestingly enough, the PFP did not distinguish itself in the mini-election.

The beauty of the homelands policy is that it has so many functions: it reassures the Whites of a future in "their" republic; it seems to offer the Blacks a geographical base for their own franchises; it is a way of getting rid of surplus blacks; it can be seen to promote economic decentralisation.

Mr Botha tackles this issue on Thursday when he has invited the leaders of the four existing independent nation-states — Transkei, Bophuthatswana, Venda and Ciskei—to Pretoria to discuss the setting-up of what used to be called a Constellation of Southern African States and has now become a Confederation.

The Confederation is not looking so rosy. All but one of the other six self-governing nation-states have made it clear they do not intend to ask for "independence." Bophuthatswana, which is the most reputable of the four independents, has been explaining that it sees little point in an exercise which aspires to anything more than merely economic co-operation.

But for the summit to make sense, it will have to touch on fundamental "political" issues: the resettlement of between 2m and 3m people in the homelands since 1960, the South African citizenship rights of the newly declared citizens of nation-states which are not recognised by any other government in the world, and the relationship of these homelands governments to the 10m Blacks who still live in white South Africa.

Meanwhile, the original idea

Problems with the old-guard bureaucracy

of the Constellation — that it acted as a link with other states in the region — is further away than ever, unless the Swazis, temporarily king-less, can be persuaded to agree to some deal with the aid of land grants.

3—Influx control.

Nothing challenges the reformists so awkwardly as the future of the Blacks in the white cities. Only right-wing ideologues will now deny that by 2000 over 70 per cent of the population of the white urban areas will be black. Mr Botha wants to work out some sort of minimal political deal and to start to tackle the enormous requirements of housing, education and welfare.

Yet, in the middle of all this, his officials have come up with the Orderly Movement and Settlement of Persons Bill, which proposes tightening up influx controls with measures such as greatly-increased fines and, in effect, a night curfew on Blacks in white towns. For the moment the bill has been delayed in a parliamentary committee. Reformists, embarrassed by this revival of old-style apartheid, are suggesting it will vanish.

The bill is a good example of Mr Botha's problems with his own old-guard bureaucracy and also of a contradiction within tha system. Dr Piet Koornhof, the Minister responsible for black affairs, can weep publicly for the plight of black squatters outside Cape Town. Yet his officials organise pre-dawn raids to shovel them through jail and back to the homelands.

(4)—Namibia

The appallingly convoluted diplomatic negotiation over the future of South-West Africa has a place in this because Mr Botha's Government must soon make clear whether it is prepared to agree to Namibian independence which, since it will lead to a Swapo government in Windhoek, will be seen by many Whites as a sell-out to Marxism and terrorism.

Meanwhile the by-election results seem to confirm the gradual realignment of South Africa's white politics. The PFP controls the left-centre. The right is still contested by the Conservative Party and the HNP, which should both by now realise that they must join forces if they are to convert their grassroots support into parliamentary seats. Mr Botha's National Party still dominates the centre.

That has traditionally been a dangerous position in South African politics. The most encouraging message of this mini-election for Mr Botha is that the centre, for the moment, seems to be wider and more comfortable than some observers believed. Of course, he has to guard both his flanks. But he can hardly hope, or wait, for a better moment to press through with the reforms he has talked so much about.

Lombard

What is wrong with the SDP

By Peter Riddell

THE Social Democratic Party is in danger of misreading the shift in British public opinion — and so wasting the opportunity it so successfully created last year.

The doubts are apparent both inside and outside the party—and were reflected in the recent by-election results. The significant feature of both Peckham and Northfield was the low turnout. Unlike last winter's by-elections, voters disillusioned with the Tory and Labour parties stayed at home. The Alliance was left with a respectable share of the vote, the best third party performance for 50 years, but still obstinately short of the level needed for a breakthrough.

Variable

The Alliance has failed to establish a clear identity. And that really means the SDP; while the opinion polls show the Liberals with a roughly steady share of the vote, it is the SDP which is the variable element and possible booster to national success.

Few people have much enthusiasm for the SDP, let along for Mr Roy Jenkins. A MORI poll conducted during the Gower by-election showed that support for the SDP was essentially negative, based mainly on a dislike of other parties or a desire for a change. Only a small minority took a positive view and believed that the SDP had the best policies.

Masochistic

My hunch is that this is because many of the SDP leaders have not yet grasped the populist and somewhat masochistic trend of public opinion. Anyone who has accompanied canvassers recently can give examples fo both the dislike of large organisations (whether local housing authorities, big unions or state monopolies) and the apparent willingness to accept tough solutions. Mrs Thatcher has so far been the only leader to have exploited this mood.

SDP leaders and activists frequently talk about the need for a radical approach, whatever that means. And in their proposals for "democratising" the unions, they may have struck a popular note. But in other respects the party's ideas are too often a product of the conventional thinking they condemn, reflecting the bureaucratic / interventionist strand in Labour.

Mr Jenkins, for example, has repeatedly said he does not want to change the frontiers between the public and the private sectors. However, much of state industry is widely regarded as inefficient and remote. There are plenty of ways of breaking up state monopolies which are different from the Thatcherite approach of selling them to institutional shareholders. For example, why not hand over the Yorkshire coalfields to the miners? There is scope for co-operatives of all kinds, partnerships with the private sector and management buy-outs, as well as injection of competition. The SDP ought to welcome such moves, rather than taking Labour's defensiva approach and relying on an industrial strategy drawn from the 1960s.

Detached

There is also a problem of style. The SDP emerged as a counter-revolution against Thatcherism and Bennism by a dispossessed centre/Labour right establishment and by successful professional people and managers excluded from power —all in search of a better yesterday, as one pundit noted.

This group appears detached from deeply felt popular worries about housing, law and order and so on. At by-elections there is still too much of the detached travelling circus (last stop Peckham, next stop ?), rather than deep local roots.

There are large numbers of working-class voters disillusioned with Labour but not yet committed elsewhere. And the SDP has not so far produced the right approach and tone to attract them.

Letters to the Editor

Import controls and the UK clothing industry

From the Director, British Clothing Industry Association

Sir,—In his Lombard column on November 1, Mr Samuel Brittan recognises that in an emergency safeguard action has to be taken against imports. While we welcome his recognition that industry does sometimes need protecting, his conclusions as to the kind of action necessary are inadequate and inappropriate at least as far as the UK clothing industry is concerned.

The problem the clothing industry faces is not the laser beam pattern of imports such as characterise Japan's exports to the West but a rapid growth in imports in dozens of product areas from an ever-growing number of suppliers, whose cost structures were radically different from those pertaining in the EEC.

The multi-fibre arrangement to which Mr Brittan refers twice in his article was negotiated under GATT in recognition that the nature of the threat was such that Article XIX offered no remedy. The agreements negotiated under the MFA do not provide a stop on all imports but a measure of control on their growth in order to avoid redundancies on a massive scale in a major industry. Despite these provisions the industry has shed some 80,000 jobs, a quarter of its workforce, since 1975. I would suggest that an increased rate of job loss in the current economic climate would be considerably more expensive than import controls.

As for the price paid by the consumer, the Consumers' Association has never to our knowledge claimed that the MFA put up the price of clothing by 15-40 per cent. It predicted in autumn 1979 that children's clothing would rise by that amount by the following spring. No evidence was ever produced at a later date to show whether this happened or not but such increases certainly never registered in the retail price index where clothing is the lowest single item and has scarcely risen in the last few years.

As for subsidies the industry has always rejected such a course as distorting the market more drastically than any import controls, particularly as subsidies would of necessity be handled on a national basis and not on a multilateral basis as is the MFA to which U.S., Canada, the Scandinavian countries, etc, are party.

The sales stickers are scarcely ever off the windows of the High Street shops. Prices advertised for imported garments in the trade press indicate artificially low prices rather than artificially high prices. The consumer pays very little for the limited protection the MFA affords the industry.

G. W. French.
BCIA,
Wellington House,
6-9 Upper St Martin's Lane WC2.

Bank guarantee for tax

From the Managing Director, Tax File

Sir,—A new Inland Revenue policy requiring a bank guarantee for payment of tax could prove an impossible barrier for people in the construction industry—and should concern all the self-employed.

In addition to the existing 714 certificate, the Revenue is now introducing a certificate 714S to be issued to those leaving full-time education or training and to the unemployed or anyone who had been working or living abroad. These certificates entitle the holders, as sub-contractors in the construction industry, to receive up to £150 a week without deduction of tax.

The unemployed and anyone returning from abroad must first arrange for a UK bank to give a guarantee that if they default for more than 30 days in payment of the tax the bank will pay the Revenue direct. The guarantee will be for up to £2,500 a year and the Revenue can make a claim within three years of the certificates expiry date. The costs of making the guarantee and stamp duty fall on the taxpayer.

Banks do not give guarantees lightly and with such potential liabilities running into thousands of pounds it is likely that many unemployed will fail to convince bank managers to support them. Even if they do, it seems that the only real security some will be able to offer will be their private home. Both husband and wife will be required to sign documents giving the bank a charge on the property.

Is this the thin edge of the wedge for all self-employed, who have been under increasing pressure from the Revenue in recent years?

Dennis J. Fowle.
4, Volentine Place SE1.

Jobs and the strong pound

From Mr R. Berry

Sir,—Further to my letter to your column in November 1980 concerning "Jobs and the strong pound," I feel that I should keep you au fait with the current situation.

Overheads have been trimmed, the "dead wood" removed and automation introduced where possible—(being in the business of designing and building "one-off" special purpose machines —that has been difficult).

This having been done, unfortunately the company, which has been in existence since 1918 is now about to cease trading, as export orders have virtually dried up, in particular the U.S. and Canadian markets.

What I do find disheartening is that the plant and machinery which is due to be auctioned this month, I have been informed will mostly be bought by dealers who will ship it out to South Africa and the Far East, in order to manufacture goods that we may import at a later date.

Perhaps more disturbing is that in December, 1,000-years-plus of aggregate precision toool making skills will no longer be in employment.

Richard Berry.
The Universal Jig and Gauge Company,
5-11 Tower Street, Birmingham.

Management aid

From the Director Development and Training Services, Inbucon Management Consultants

Sir,—While agreeing with much of Mr J. Quincy Hunsicker's article on matrix structures (October 25), it should not be overlooked that these structures have a great deal to offer as a transition or change-process tool.

By surfacing the unofficial working relationships in the enterprise by means of a matrix structure, many UK companies facing the uncertainties of recent years have found that they have been able to release exactly the key managerial competencies required for the successful management of change. When properly used, such structures can and do encourage effective decision-making throughout the organisation, together with the flexible use of managerial skills and styles, sought by Mr Hunsicker.

A matrix structure used positively to facilitate change can materially assist both the management of scarce resources and the complexities of relationships. It will help an organisation significantly towards the design and implementation of a revised long-term structure to meet new objectives.

Richard Alston,
Knightsbridge House,
197 Knightsbridge, SW7

Basic research spending

From the Managing Director, Fulmer Research Institute

Sir,—In your editorial of November 2 there was an assumption that UK basic research in universities and other national laboratories is a necessary element in the invention/innovation process. This assumption is inherent in our current culture of believing that it is un-British to develop ideas arising in other countries.

Contrary to popular myth, our first industrial revolution exploited many overseas inventions, but success fostered our native insularity, with consequences which are now all too evident. It really is not necessary any more, indeed I am arguing that it never was, for the spread of basic science in Britain to match that which is going on elsewhere.

With our increasingly restricted spending we should concentrate on building up sufficiently large efforts in those areas in which we are most skilled and successful to be sure that the research teams can make real progress, and not spread the money so thinly that we are left panting behind in our fields of endeavour. More effort should then be made to tap into the vast reservoir of world scientific knowledge, in the way that we have been told, ad nauseum, the Japanese have been so successful.

W. E. Duckworth,
Stoke Poges,
Slough, Berks.

Charitable covenants

From the Director, Charities Aid Foundation

Sir,—Mr Downing (October 30) complains that he cannot get a PAYE coding adjustment for higher rate tax relief on his charitable covenants.

Our understanding of the Revenue view is that it will not give such an adjustment if the covenant is covered by net unearned income—that is investment income received less deductible mortgage interest paid. This seems reasonable enough, since the higher rate tax on such income is usually paid by direct assessment after the end of the year and it is only fair that the relief is given against it.

Where there is no such income and the covenant is paid out of salary, a coding adjustment should be available. Some district inspectors seem to have been a little slow in grasping how to administer the relief, but we are assured that everything possible is being done to instruct them in its mysteries.

M. J. M. Brophy,
48 Pembury Road,
Tonbridge, Kent.

FINANCIAL TIMES

Monday November 8 1982

IATA TO DISCUSS ILLEGAL DISCOUNTING AND OVER-CAPACITY

Airline recovery seen from 1984

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN GENEVA

THE WORLD airline industry, which is passing through its worst ever economic crisis, is not likely to show signs of recovery until at least 1984, according to estimates by the International Air Transport Association.

The association, which represents 120 of the world's airlines, believes that the industry will lose about $1.87bn this year, including interest payments, and an even larger sum of $2.1bn in 1983. By 1984, however, this collective loss should start to decline, with an overall deficit after interest in that year of about $1.4bn.

This improvement will be primarily the result of the gathering momentum of the airlines' own efforts to put their house in order, including severe staff cuts, sales of surplus aircraft and properties, and cuts in routes. It is doubtful if any improvement in world economic conditions will play a part in this expected recovery.

Mr Knut Hammarskjold, director-general of the IATA, is due to tell the annual meeting of the association in Geneva today that "it would appear imprudent and unrealistic to assume traffic growth as a factor of significance in the foreseeable future."

Mr Hammarskjold says in his annual report that the economic outlook for the world's major traffic-generating countries is "fragile," and that there is no reason to expect that the early 1980's will be more settled, trouble-free or predictable than the preceding five years.

He describes the problems facing the world's airlines as "staggering."

"The industry overall is currently performing a precarious balancing act, walking a financial tightrope, with the abyss of bankruptcy on the one hand, and the slippery slope of subsidisation or permanent bondage to the loan market on the other."

Mr Hammarskjold points out that from an overall operating profit of $400m in 1978 (even after taking account of $550m in interest payments in that year), the industry plunged into the red in 1979, losing $350m, and since then has seen its financial situation progressively worsen.

By the end of this year, the collective losses since 1979 will have reached $5.73bn, and by the end of 1984 they will have reached $9.23bn.

The causes of these losses have been stagnant markets because of the recession, high inflation rates and interest charges, currenry fluctuations, soaring "user charges" (for such things as navigation aids, landing fees and other airport charges), and operational difficulties stemming from government regulations, and political difficulties throughout the world.

Interest costs alone on fleets of new jet airliners are running at $1.61bn for 1982, and will rise to $1.73bn in 1983 and $1.84bn in 1984.

But Mr Hammarskjold also

Mr Knut Hammarskjold.

makes it clear that some of the airlines' troubles can be laid at their own door. Fares are often too low, producing inadequate yields. Moreover, the illegal discounting of fares (selling tickets at below officially agreed rates) is costing the airlines about $1bn a year in lost revenues.

There is also too much cepacity with too many seats on offer on many routes, with the result that toad factors (the percentage of seats sold), are too low and many routes lose money.

Other problems include the refusal of some foreign governments, especially in Africa, to permit airlines to repatriate earnings in those countries. About $600m of airline earnings are blocked in this way.

Mr Hammarskjold makes it clear, however, that putting the situation right is as much a matter for individual arlines as for governments. Airlines cannot look to any major new technological breakthroughs (comparable, for example, to the coming of the jets in the mid-to-late 1950s) to help them boost productivity and get out of their troubles, he stressed.

Several major airlines, such as British Airways and Pan American, have undertaken severe retrenchment measures over the past year or so, which appear to be working. IATA believes, however, that many more of its members could undertake similar self-disciplinary methods to help restore themselves to profitability.

Mr Hammarskjold says that the airlines will find it difficult, on current financial trends, to afford the $104bn that they will need during the 1980's to iovest in new aircraft and other assets.

During 1982, investment to replace ageing aircraft is estimated at $3bn. "An operating loss after interest of $1.9bn would leave the industry with a debt-equity ratio of worse than 90:10," he says.

WORLD AIRLINE INDUSTRY'S FINANCIAL SITUATION (in U.S.$m)

	1977	1878	1979	1880	1981	1882	1983	1984
Operating revenues	19,300	23,450	28,800	35,600	36,940	39,020	44,010	50,110
operating costs	18,450	22,500	28,650	36,500	37,190	39,280	44,380	49,670
operating result	850	950	150	–900	–250	–260	–370	440
Interest payments	550	550	500	950	1,410	1,610	1,730	1,840
Result after interest	300	400	–350	–1,850	–1,660	–1,870	–2,100	–1,400

Source, IATA Economics and Industry Finance Division

Iranians advance in Gulf offensive

By Our Foreign Staff

IRAN has won a significant victory over Iraqi forces in the latest fighting in the Gulf war, according to Western correspondents who have visited the frontline.

Iranian troops launched renewed attacks on Saturday as part of their week-old offensive. The Iraqi official news agency confirmed that the Iranians advanced up to three miles into Iraqi territory, opposite the Iraqi city of Amarah.

The present assault does not appear to be the all-out attack on Iraqi positions which has been expected for weeks. But the Iranians claim to have killed or wounded 4,000 Iraqis and taken more than 1,500 prisoners.

The success of the Iranian attack was confirmed by Western correspondents over the weekend, although the number of Iranian casualties is not known.

The offensive regained the Iranian oilfield of Bayat, which before the war was pumping 25,000 barrels a day of crude oil. Reporters say that they saw little sign of the Iranians launching a more extensive attack in this area.

Iran has not made a general attack on the Iraqi forces since July, when its forces failed to take or cut off Basra despite five major attacks. This followed the recapture of the Iranian port city of Khorramshahr earlier in the year and heavy Iraqi losses.

For the moment, the Iranian strategy seems to be to spread out the Iraqi forces on the long frontier between the countries by making attacks in division strength. The Iraqis in turn bave adopted a more elastic defence. Many of their men are held in reserve for use to counter-attacks, rather than kept in the front line.

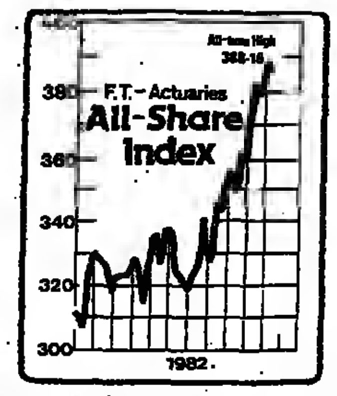
The Iranians, however, are getting close to the main highway linking the Iraqi capital Baghdad to Basra in the south which, if they reached it, would disrupt Iraqi communicatioos. This makes it difficult for the Iraqis to retreat much further.

In Tehran, Hojatoleslam Hashemi Rafsanjani, speaker of the Iranian Parliament and one of the regime's most powerful figures, emphasised yesterday that, if necessary, Iranian forces would advance on Baghdad itself. "We have said it before," be added. "We know no limit until we get our rights."

THE LEX COLUMN

Institutions raise their profile

A new detachment of cavalry is emerging over the horizon to reinforce the beleaguered UK industrial sector. In the past couple of months there seems to have been a major rethink in some of the largest financial institutions on the merits of investing in the problem areas. Up to now the British banks have taken most of the strain, but the institutions may in future be prepared to pump substantial new equity into companies, even where market capitalisations have fallen to minimal levels. Investments are likely to be accompanied by management changes and reconstruction – possibly of an entire sector. The Prudential, which formally established a corporate finance unit three weeks ago, is a key figure among about 10 institutions adopting this approach; others include M and G, and the UK Post Office and National Coal Board pension funds.



Book losses

The recession – now well into its third year – has generated a long list of companies reliant on their bankers' goodwill. In many cases, hard work on the trading front is being undermined by mounting levels of debt and interest charges. To continue trading in the current climate – or to finance an upturn – these companies need fresh capital if gearing is to be held in check. Indeed some are inhibited from rationalising by the destructive impact the book losses would have on their balance sheets. Conventional rights issues are not the answer, while institutions like FFI may already be doing all they can. The size of the problem requires bigger guns, which explains the discreet orchestration of the financial institutions being conducted by the Bank of England.

The clearers are growing increasingly concerned about the continuing problems of some big industrial companies. While political reasons explain part of their reluctance to resort to bankruptcy procedures, another consideration is that the assets of many companies have little market value anyway. The banks' concern is exacerbated by their own falling earnings, not to speak of the problem of provisions for sovereign lending. By contrast, the investment institutions are waking up to the fact that they have enjoyed an extremely satisfactory portfolio performance in recent years – and they must be feeling more relaxed about fulfilling their minimum obligations. At any rate, informal links dealing with the difficulties of the corporate sector have now been established between institutions and clearers.

The life assurance funds have few restrictions on their investment strategy, but the pension funds are more circumscribed. In general the duty of a pension fund trustee is to act in the interest of the members. So the funds must justify an approach in which, whatever else, short-term investment criteria are certainly not uppermost. They argue that in fact such equity injections represent an extension of the recovery fund approach, which assumes that the stock market overreacts to a sharp downturn in a company's fortunes.

Other justifications concentrate on the knock-on effect of individual corporate failures. If the forging sector disappears in the UK, for instance, companies dependent on the product are threatened. This argument can only be used convincingly by big funds, which hold a "UK plc" portfolio – so it is no coincidence that these are the most active. Nevertheless, political considerations cannot be wholly ruled out; an actively interventionist track record might be no embarrassing thing to wave to front of any incoming Labour administration.

Funds have exerted an influence on company board policy in the past, and they have also been involved in company reconstructions. Nevertheless, their accustomed position has been very much in the back seat. In the reconstructions of the Weir Group and Stone Platt, for instance, it was the banks that bore the brunt. When a new board was appointed to ICL, the institutions were essentially rubber stamping a Government initiative.

The institutions have proved much more aggressive over Paternoster Stores. Nevertheless, Woolworth hardly represents the kind of industrial company over which there is most concern. A better example of the new approach is the proposed establishment of Sheffield Forgemasters – to be jointly owned by BSC and Johnson and Firth Brown. The establishment of the new company depends on the placing of £10m of convertible preference shares. Institutions which have committed themselves to taking a stake admit thet it does not fill them with enthusiasm. Nevertheless, it looks as if Lazards is slowly but surely approaching its target, helped by explanatory meetings at the Bank of England. It can be safely assumed that the wider importance of the development is being stressed here.

The enrolment of the institutions in a sotto voce industrial lifeboat is taking place in the context of radical reorganisation by many major companies. For the first two years of the recession, companies concentrated on the disposal of loss-makers and the elimination of surplus labour. Now exercises are becoming more fundamental often involving radical changes of direction.

Blue chips like BP and ICI are in the middle of major structural changes, and their plastics deal was aimed at cutting overcapacity in the industry. TI has agreed a deal allowing it to get out of aluminium entirely, and is investigating what to do about its hot tube-welding business. The shake-ups often involve an element of decentralisation, and the slim-line London headquarters of successful companies like GEC, BTR and Hanson Trust may become less of a rarity.

No panacea

The institutions seem very aware of these developments, and are likely to insist on similar moves as a condition of involvement. There are a series of cases under consideration, and the earliest progress is likely in rationalising sectors where there are a limited number of big players. But an expanded institutional role will by no means be a panacea for every company in trouble.

The problem for institutions is that they may find themselves with a lot more responsibility than they bargained for. Certainly, their enthusiasm for recovery situations may become dimmed if pressure builds up to make heavy additional investments. Buying high risk shares for their recovery potential is one thing. Becoming sucked into long-term reconstruction commitments involving substantial new investment, could be quite another.

Gen Eitan 'gave green light' to Phalange

By David Lennon in Tel Aviv

GENERAL Rafael Eitan, the Israeli Chief of Staff, ordered Phalangist forces to resume their operations in the Palestinian refugee camps in Beirut after local Israeli commanders had ordered them to be halted because of reports about attacks on civilians.

This was revealed by General Amos Yaron, commander of the Israeli forces to Beirut, in his testimony to the commission of enquiry into the massacre of hundreds of Palestinian refugees in the Sabra and Chatilla camps in September.

Geoeral Yaron said that before the Phalangists were sent into the camps he had warned them not to harm civilians, because "I am familiar with their norms of behaviour."

Fear about what the Phalangists might do led the Israeli commander to monitor their actions by setting up observation posts on nearby rooftops, eavesdropping on Phalangists communications and personally sitting with the Christian commanders whenever be had time.

The Phalangists entered the camp on Thursday night. On Friday morning, General Yaron told the commission he decided to recommend to his superior General Amir Drori, who was in command of the war in Lebanon, that the Phalangist action be stopped. He did so because he had "uneasy feelings"

General Drori ordered the Phalangists to halt advance within the camps the same morning. At the same time, General Yaron gave them permission to replace their tired troops with fresh ones.

In the afternoon General Eitan, the Chief of Staff, arrived in Beirut to consult with his own commanders and the Phalangists. After the Christian commanders had assured him there had not been excesssive civilian casualties, be congratulated them on a job well done.

This was apparently the green light for the Phalangists to resume their operations, in the opinion of General Yaron.

● **David Tonge in London adds:** The Lebanese Government has requested British participation in the multinational force

Britain freezes gas prices to industrial users for 9 months

BY RAY DAFTER, ENERGY EDITOR, IN LONDON

BRITISH GAS Corporation is to freeze the contract price of gas sold to industry for an extra nine months.

The move, expected to save Britain's industry over £70m ($117m) a year in fuel costs, is thought to form part of a package of Government-backed measures designed to aid the country's biggest energy users. Industrialists are also expecting some relief from prices paid for bulk supplies of electricity.

Prices of gas sold under contract to industry bave been frozen at around 26p to 30p a therm since March. They were due to rise in each quarter next year, beginning on January 1. Now British Gas is expected to announce today that prices will remain unchanged until October.

Although the Corporation is expected to emphasise that the decision has been taken on commercial grounds, it is thoogbt that the undertaking has been urged by the Government to give further relief to industry.

Contract prices covering firm supplies of gas are already well below rates for gas oil, which is reckoned to be the major competitive fuel.

Contract sales account for between 40 and 50 per cent of total British gas output. Companies assured of firm supplies pay more than those which bave agreed to buy on an interruptable basis and which face being cut off during periods of peak demand.

British Gas is likely to say it hopes the move will stimulate depressed sales. The Corporation's board believes that it can still meet new financial targets about to be announced by the Government wbile still holding down prices.

Tariffs for gas supplied to domestic users are unlikely to be frozen, although future increases should be much lower than in the past three years, wben – largely as a result of Government directives – rates were doubled.

UK to cut employer surcharge

Continued from Page 1

ry ministers have been worried about the increasing leakage of consumer demand ioto imports. They are anxious also to help to restore the export competitiveness of industry, as well as to belp improve profits from historically very low levels.

The Chancellor's dilemma was increased because he has to announce any cut in the surcbarge this autumn if it is to have an effect on economic activity next year.

The Chancellor will emphasis the continuing strategy of reducing interest rates to stimulate economic growth. He will be able to point to a steady reduction in rates this summer. He will also hold out hope that interest rates will continue to fall as inflation comes down to an expected 5 per cent next spring.

The Treasury's economic forecast, whicb in its expanded form this year runs to some 30 pages of typescript, will be considerably more gloomy about the prospects, for a recovery of output than it was at the time of the budget last spring.

It was then expecting that output this year would be about 1½ per cent above last year's level.

Britoil 'bonus' plan for small investor

BY RAY DAFTER, ENERGY EDITOR

THE UK GOVERNMENT is expected to tempt small investors to buy shares in the Britoil corporation next week by offering a special loyalty bonus.

Purchasers who are still on the share register in about three year's time are likely to be offered one free share for every 10 held under a scheme wbicb has been thrashed out by energy ministers and their advisers.

Details of the scheme are expected to be contained in the weighty offer prospectus which will probably be published later this week.

The Government is boping that the sale of 51 per cent of Bristol's shares will be completed by the middle of next week. It is aiming to raise between £500 and £550m.

Loyalty shares will be offered only to small investors, probably those bolding less than £5,000 to £7,500 worth of stock. The move would mean that the UK Government's interest in Britoil would be further diluted when the bonus shares are distributed.

The Government is hoping that the small stockholders will ultimately account for at least 10 per cent of the total Britoil sbare capital. It believes that a wide distribution of shares will help to thwart any political attempts to re-nationalise the exploration and production company.

The Labour Party has already committed itself to re-nationalising Britoil, if it returns to power. Opposition energy spokesmen, Mr Merlyn Rees and Mr Ted Rowlands, are likely to be in Labour's front line of attack, when Mr Nigel Lawson, Energy Secretary, announces the date of the sale in Parliament during the next few days.

Ministers and their advisers in the City of London are about to put the finishing touches to the offer document. They are likely to price the 300m to 400m shares to be offered in sucb a way as to raise over £500m. Mr Lawson is anxious to avoid a repetitinn of the Amersbam International offer-for-sale earlier this year, when the Government was attacked by many for seriously underpricing the concern.

It is thougbt that Mr Lawson believes that a price of about £450m for 51 per cent of Britoil's assets would be doing his best to raise more than £500m.

Opec links urged on Mexico

Continued from Page 1

"The question is do we want to export more at lower prices, which is what may happen if we maintain our autonomous policy and increase exports. The market is very fragile."

Mexico, battling with an $80bn foreign debt crisis and more than ever dependent on oil for its revenue, is exporting 1.7m barrels a day.

The document says exports could be increased to 1.8m to 2m b/d in the near future if there were a moderate increase in demand, and Mexico could obtain the necessary financing to improve some of the infrastructure in its oil industry like storage capacity.

Mexico's present and potential clients have indicated that they could take a total of 2.5m b/d by 1985. Tbe document notes that "an increase of this size would certainly provoke reaction from other producers."

The idea of closer ties with Opec is therefore gaining momentum in Mexico as a way to avoid, in the words of one of the authors of the document, "cutting off each other's noses."

Saudi Arabia was incensed by Mexico's recent agreement to sell more oil to the U.S. strategic reserve at well below the Opec reference price. Mexico urgently needed a $1bn payment in advance because its hard currency reserves were precariously low.

The document warns of the dangers of such deals "undermining the negotiating power of oil exporting countries and raising doubts about Mexico's solidarity with certain principles maintained by Opec."

Mexico has traditionally based its pricing policy in accordance with Opec's price movements.

Mexico's 57bn barrels of proven reserves of oil and natural gas are the world's fifth largest. But only a small part of the country's oil-bearing territory has been explored fully.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Dubrovnik	S	15	59	Malaga	C	19	66	Salzburg	S	15	59
Akrotiri	C	20	68	Faro	R	15	59	Malta	F	21	70	Seoul	C	21	70
Algiers	C	24	25	Florence	F	14	57	Manila	C	34	93	Singapore	R	30	86
Amsterdam	S	7	45	Frankfurt	S	7	45	Miami	C	22	72	Stockholm	S	4	39
Athens	C	11	52	Funchal	C	18	64	Milan	F	2	45	Strasbourg	C	3	37
Bahrain	-	—	—	Geneva	C	6	43	Moscow	S	-4	25	Sydney	C	27	80
Bangkok	F	33	91	Gibraltar	R	20	68	Munich	S	9	48	Taipei	C	27	81
Barcelona	R	18	65	Guernsey	R	12	54	Nairobi	-	—	—	Tangier	R	18	64
Beirut	-	—	—	Helsinki	S	3	37	Naples	S	15	59	Tehran	-	—	—
Belgrade	S	5	41	H. Kong	C	26	79	New Delhi	C	31	88	Tel Aviv	S	23	73
Berlin	C	5	41	Innsbruck	S	15	59	New York	S	8	46	Tenerife	F	25	77
Biarritz	C	19	66	Inverness	S	12	54	Nice	C	14	57	Tokyo	R	15	59
Blackpool	C	11	52	Istanbul	R	9	48	Oporto	C	12	54	Toronto	C	2	36
Bordeaux	C	19	66	Jersey	R	14	57	Oslo	C	2	36	Tunis	S	23	73
Brussels	F	8	46	Jo'burg	C	26	79	Paris	C	10	50	Valencia	C	19	66
Budapest	S	3	37	Las Palmas	S	24	75	Prague	S	5	43	Venice	S	8	46
B. Aires	C	21	70	Lima	S	25	77	Reykjavik	F	3	37	Vienna	S	2	36
Cairo	C	24	75	Lisbon	S	14	52	Rio de J'o	S	30	86	Warsaw	S	2	36
Cape Town	-	—	—	Locarno	C	9	48	Rome	S	16	61	Zurich	F	5	41
Caracas	C	27	81	London	R	12	54								
Casablanca	F	23	73	Los Angeles	S	18	64								
Copenhagen	S	7	45	Luxembourg	S	4	39								
Corfu	S	18	67	Madrid	R	19	66								
Dublin	C	12	54	Majorca	C	20	68								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

French import curbs

Continued from Page 1

The upgrading of their data processing equipment had been planned in part to strengthen the French anti-terrorist force. The decision that the intelligence forces sbould buy French is in line with official policy to "reconquer the domestic market."

The internal administration study comparing restrictive import practices within the EEC says that Britain and Italy have the most diverse range of obstacles. Britain, the study says, relies on country of origin labels, voluntary restraint agreements, "Buy British" publicity campaigns and customs formalities, while Italy still uses residual import quotas, import deposit schemes and customs procedures.

The study finds that West Germany and Denmark, the countries "reputedly most liberal," make most use of technical qualifications and standards.

The document says of the "Buy British" campaigns over the last four years: "It is still too early to judge the effectiveness of these campaigns, which grow more numerous and sophisticated; but there is a striking resemblance between them and some of the recent initiatives of French policy towards reconquering the domestic market."

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 8 1982

BUY NOW, PAY LATER ISSUES KEEP EUROBOND MARKET LIVELY

Avalanche of new bonds absorbed with ease

BY ALAN FRIEDMAN IN LONDON

THE EUROBOND market moved into high gear last week, pushing out $1.7bn of new issues in the dollar sector and reasserting its bullish sentiment about declining interest rates.

Thursday and Friday alone saw a flood of $1.2bn of new paper and even though the dollar sector weakened slightly on Friday afternoon, the market gained well over a point on the week.

The indications are that despite the avalanche of bond issues, fuelled by just about everybody's expectation of another discount rate cut by the Federal Reserve, the new paper is being absorbed. It is not being devoured by investors, but the appetite clearly exists.

One major reason for the healthy new issue market, aside from declining interest rates, is the widespread adoption of delayed and partial payment gimmicks which allow investors to buy now and pay later.

The principle of partial payment, long known in the UK gilts market, is simple enough. The investor hands over 25 or 30 per cent of the purchase price immediately and has several months in which to pay the balance.

The delayed payment technique is another permutation of this idea – the investor commits to purchase now and makes full payment a few weeks or months later.

The attractions of such techniques are at least threefold:

For non-dollar-based investors intimidated by the strength of the U.S. currency, a delayed payment means that by the time the cash is needed the dollar may have weakened and the cost of buying dollar bonds with Swiss francs or Dutch builders is reduced.

For investors who are "fully invested" already and will not have the ready funds available until early next year, the partial or deferred payment means a cheap entry into a bond whose coupon could look rather attractive in a few months time.

Perhaps the most speculative attraction for investors, however, is the potential capital gain to be made if interest rates continue falling. An investor puts 25 per cent down now and the balance in six months. As interest rates decline (assuming they do) and the bond price rises, the investor can eventually pay the remaining 75 per cent of the purchase price and then sell the paper at a premium over issue price, netting a useful capital gain.

The concept is not so different from buying a warrant, holding on to it until interest rates have fallen well below the level of the coupon obtainable with the warrant, and then exercising the warrant to buy the bonds and sell them at a profit. Needless to say, warrants for 12 or 13 per cent bonds are much sought after these days, either for speculative purposes or because such a coupon could look very attractive indeed if the market moves decisively into single-digit coupons.

New issue managers reckon that by utilising a partial or deferred payment sweetener they can shave around ⅛ per cent off the borrower's cost of raising funds. "The partial pay is clearly worth something. It helps bring along those borrowers who might otherwise prefer to wait for rates to fall further," explained one Eurobanker.

The other side of the coin is that investors are being asked to buy some very aggressively priced issues. The lowest coupon seen in more than two years came out last week from General Electric of the U.S. – a 10 per cent coupon on a $200m 7½ year bond, led by Morgan Stanley.

The GE bond also carried with it both partial, and delayed payment gimmicks. It is priced at 99⅝, but only 14½ per cent is payable – and not until January. The remaining 85 per cent balance is not due until next July. For the speculator, here is a quality name with various attractions. For institutional investors, though, the 10 per cent coupon reduces the attractiveness of the issue.

In some ways the Eurodollar bond market is getting ahead of itself and ahead of declining interest rates. Coupon levels of 10¼ per cent last week simply do not compare favourably with the new triple-A issues launched only a week or two ago.

Take, for example, the following three recent issues: Warner Lambert, John Hancock and Canadair – all triple-A and all with a seven-year maturity. Warner Lambert was launched on Friday with a 10¼ per cent coupon and a price of 99. At a pre-market price of 97¾ these bonds yield 10.72 per cent.

John Hancock's 12 per cent bonds, launched a month ago and still available in the market, yield 11.17 per cent at a price of 103⅞. Canadair's 12½ per cent bonds, launched six weeks ago, yield just above 12 per cent at 102¼.

Why buy a new issue with a 10.72 per cent yield when equal quality paper with a better yield is still available? The two most cited reasons are that many investors seem to prefer discount-priced paper to premium-priced paper and that new issues are available in larger block quantity.

Among the highlights of other Eurobond sectors was a low 7⅝ per cent coupon on Bayer's DM 150m seven-year private placement. In the Swiss franc foreign bond sector, it emerged that Japan's Ex-Im Bank is planning a SwFr 100m public issue through Swiss Bank Corporation next January, the borrower's first-ever external bond.

Banque Gutzwiller Kurz Bungener confirmed that it is launching the first Euro-New Zealand dollar bond issue today for New Zealand Forest Products, a NZ$12m to NZ$20m issue bearing a 17¼ per cent coupon at a price of 99 over five years.

Back in the Eurodolar bond sector Japan Air Lines is raising $54m with a 15-year non-callable 11 per cent issue led by S.G. Warburg and IBJ International. This is a currency swap transaction and the counterparty is believed to be TWA, the U.S. airline.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Du Pont‡	150	1994	12	11¼	100	CSFB, Morgan Stanley	11.250
UBS‡	150	1987	5	10¾	100	UBS Secs., Morgan Stanley, Citicorp	10.750
Midland Bank ‡	150	1992	10	11½	100	Samuel Montagu	11.500
Can. Wheat Bd. ‡	50	1990	8	11¼	99½	Wood Gundy	11.348
Elf Aquitaine ‡	150	1990	8	12	100	Deutsche Bank	12.000
SNCF	75	1992	6½	11½	*	Sparebanken Oslo Akershus, Societe Generale, SEB	*
Coca Cola ‡	100	1988	5½	10⅜	100	Morgan Guaranty	10.375
Gen Electric ‡	200	1990	7½	10	100	Morgan Stanley	10.000
EDC ‡	100	1987	6	10¾	100	CSFB	10.750
World Bank ‡	200	1989	7	10⅞	100	Deutsche Bank, CSFB, SBCI	10.875
World Bank ‡	100	1997	15	11⅛	100	Deutsche Bank, CSFB, SBCI	11.125
Gen. Foods ‡	100	1994	12	10½	100	CSFB, Salomon Bros.	10.500
Gulf Oil ‡	100	1994	12	10¼	99½	Merrill Lynch	10.375
Bk. of America ‡	100	1990	7¾	10⅜	100	CSFB, B.A. Intl.	10.375
Warner-Lambert ‡	100	1989	7	10¼	99	Morgan Stanley, UBS Secs.	10.469
Japan Air Lines ‡	54	1997	15	11	100	SG Warburg, IBJ Intl.	11,000
Nthn. Telecom §‡	50	1997	15	7	100	Paribas	7.000
SFE 1‡	70	1989	7	5¼∅	100	Arab Bking Corp.	–
CANADIAN DOLLARS							
Gas Metropolitain ‡	40	1992	8	14½	100	Wood Gundy, Societe Generale	14.500
D-MARKS							
Asian Devt. Bank ‡	150	1992	10	8⅛	99	Deutsche Bank	8.402
IBM France **‡	20	1992	5¾	7¼	100	DG Bank	7.750
Bayer **‡	150	1989	7	7⅝	100	Deutsche Bank	7.625
SWISS FRANCS							
KIM ‡	80	1992	–	6¼	99½	UBS	6.319
Postipankki	30/50	1992	7	*	*	Bque Gutzwiller, Kurz, Bungener	*
City of Tokyo ‡	100	1992	–	5⅜	100	CS	5.375
Nippon Metal**‡	30	1987	–	6⅝	100	Bank Leu	6.625
Vatica **‡	35	1987	–	7½	100	UBS	7.500
Pokka Corp. **‡	10	1987	–	6⅝	100	Banca del Gottardo	6.625
IADB	100	1992	–	*	*	SBC	6.375
Mefina	100	1992	–	*	*	Bank von Ernst	*
STERLING							
Eurofima ‡	20	1989	7	11	99½	Kleinwort Benson	11.107
NEW ZEALAND DOLLARS							
NZ Forest Products	12/20	1987	5	17¼	99	Bque. Gutzwiller, Kurz, Bungener, Nikko Secs.	17,567
GUILDERS							
NMB Bank ‡	100	1987	5	9⅛	100	NMB Bank	9.250

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ∅ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission ‡ Five tranches Note: Yields are calculated on AIBD basis.

CREDITS

UK banks close to debt agreement with Buenos Aires

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRITISH BANKS are believed to be close to an agreement with Argentina which could settle differences left over from the period of financial sanctions that followed Argentina's seizure of the Falkland Islands in April.

The agreement, covering some $440m of unpaid Argentine debt, is vital if Argentina is to obtain some additional badly needed finance.

Leading international banks have made it plain that a full normalisation of relations with British banks is essential before they can proceed with a $1.1bn bridging loan. A similar condition is thought to apply to Argentina's hopes for a $750m credit from the Bank for International Settlements.

Both these credits still seemed some way off at the weekend but Argentina is clearly under pressure to settle its remaining differences with British banks. Talks between Central Bank governor Sr Julio Gonzales del Solar and the four leading clearing banks continued into the weekend in New York.

British bankers warned, however, that the text of any agreement would still have to be ratified by the government in Buenos Aires, leaving open the possibility of last-minute disappointments. The agreement would also cover only bilateral debts between British banks and Argentina and not syndicated loans in which UK institutions have joined with other banks.

Once signed, the agreement would clear the way for progress in one area of Latin America's serious debt problems. Progress was also apparent elsewhere last week, with news that Brazil has arranged short-term bridging finance totalling around $1bn from leading U.S. banks.

This has done much to allay immediate fears of a foreign exchange liquidity crisis developing in Brazil It also underlines the growing belief in the market place that leading banks are ready to act quickly to prevent any Brazilian debt problems getting out of control, provoking renewed loss of confidence in the banking system.

Brazil's Central Bank governor Sr Carlos Langoni will travel to Europe this week in an effort to arrange further short term finance from European banks. He is also expected to explain Brazil's plans to raise another $10.6bn in foreign loans next year.

This would be a sharp fall on the 1982 requirement of $17bn

Whatever the final requirement, commercial bankers increasingly point out that Brazil could have access to International Monetary Fund finance with only limited additional economic policy conditions once this month's general elections are out of the way.

Mexico, meanwhile, is promising to reach its agreement with the International Monetary Fund very shortly. The agreement, even if it comes, will not prevent the current moratorium on repayments of public sector principal being extended for three or four months after it expires in two weeks' time.

This would allow time for serious talks on a permanent rescheduling of public sector debt, though attention is also shifting to the private sector, which has total debts of around $17bn and is seriously behind with interest payments.

Meetings to discuss debt relief are also scheduled shortly between commercial banks and Bolivia, Costa Rica and Ecuador. The ravages caused by all these problems in the syndicated loan market are underlined by new figures from Morgan Guaranty Trust showing that syndicated loans to non-oil developing countries fell to $748m in October from $1.24bn in September.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Fed disappoints but underlying trend remains firm

U.S. bonds prires rode out the uncertainties of the mid-term Gongressional elections and the first stage of the Treasury's $13bn quarterly refunding last week on the expectation that the Federal Reserve would soon have the room and the reason to cut the discount rate from 9.5 per cent.

When the Fed failed to cut the rate bond prices closed the week on a downbeat although the underlying trend, as evidenced by the renewed surge in new issues and shelf registrations, remains firm.

Trading volume in Government securities was thin on Monday, non-existent on Tuesday with most of the banks and financial institutions cloeed for election day, but picked up in mid-week.

U.S. INTEREST RATES (%)	Week to Nov 5	Week to Oct 29
Fed. Funds wkly av.	9.43	9.44
3-month Treas. bill	7.78	7.89
3-month CD	9.00	9.17
30-year Treas. bond	10.63	11.03
AAA Utility	11.75	12.00
AA Industrial	11.50	12.00

Source: Salomon Bros. (estimates). In the week to October 27 M1 increased by $2.7bn to $470.2bn.

While the spotlight switched back to the stock market in the election aftermath bond markets got on with the business of the quarterly refunding.

The "old" Treasury long bond did in fact trade at an all-time high of 130 7/16 at one point on Wednesday before the market decided that the refunding was not going quite as well as some bad expected.

Nevertheless the auction of $6bn of three-year notee on Wednesday and $4bn of 10-year notes on Thursday produced reasonably healthy retail demand and sharply reduced yields.

The upset wae to come on Friday when, despite further signs of weakness in the U.S. economy revealed in the latest unemployment statistics, the Fed drained reserves from the system.

The markets recovered from that setback quickly. Fed funds which traded up to 9.75 per cent dropped back to between 9 per cent and 9¼ per cent aided by predictions from Dr Henry Kaufman, Salomon Brothers' chief economist, that the Fed could nor afford to disappoint the market. Dr Kaufman said the Fed would cut the discount rate by half a percentage point or even a full point either on Friday or today.

Dr Kaufman's soothing words were however swept aside less than an hour later when the Fed announced an unexpected $2.7bn jump in M1 and failed to cut the discount rate.

The credit markets once again begin a new week waiting for the Fed to move. The discount rate cut may need now to be a full percentage point to calm market nerves and allow the bond price rally to continue.

Tomorrow the October retail sales figures will be published providing another indication of the state of the U.S. economy. Friday will bring the monthly figures for M2 and both statistics could affect the Fed's decision on whether or when, to continue its easing of credit policy.

Despite the uncertainties corporate bond prices showed about a two point gain on the week and new issue volume totalled a very healthy $1.79bn from 21 straight debt issues.

Among the new issues brought to the market American Express Credit Corporation launched a $50m issue of 10.75 per cent notes followed by a $100m issue of 30-year debentures priced to yield 11.997 per cent.

Dresser Industries came to the market with $100m of 25-year debentures yielding 11.8 per cent. Mobil launched a $200m issue of 10-year notes priced to yield 10.9 per cent and Honeywell offered $100m of 10-year notes priced to yield 11.21 per cent.

Deere offered $200m of seven-year notes priced to yield 11.712 per cent and United Technologies brought a $100m issue of 30-year debentures to the market bearing an 11.25 per cent coupon.

While Exxon completed the sale of its novel $500m offering of "Universal Bonds" with a further $200m tranche brought "off the shelf" other companies rushed to file new registrations under Rule 415.

Paul Taylor

Denmark in efforts to regain bankers' confidence

BY HILARY BARNES IN COPENHAGEN

DENMARK'S new finance minister, Mr Hening Christophersen, will visit the Kingdom's bankers in Europe and the U.S. in coming days with good news about the country's economic future: The balance of payments deficit should be reduced considerably in 1982 and, if the Folketing (parliament) reaffirms its backing for the minority government's tough approach, again next year, further reductions can be expected in subsequent years.

Confidence among foreign banks in the ability of Denmark to tackle its problems wilted perceptibly in the summer and early autumn as it became apparent that the then Social Democratic Goverment was unable to get parliamentary support for measures it thought necessary.

The bankers' concern was caused primarily by the seemingly inexorable rise in the balance of payments deficit, which bad been expected to increase to about DKr 20bn ($2.2bn) or 4½ per cent of gross domestic product this year from DKr 12.5bn in 1981.

The new four-party coalition has had two main achievements so far. First, is an incomes policy which abolished indexation of both wages and transfer incomes such as welfare benefits and pledges to hold wage increases to about 4 per cent a year over the next two years. Second is a curb on public spending which will prevent any real rise in spending in 1983 and aims for outright reductions in 1984.

Denmark's foreign borrowing requirement will in any case remain very large. The last official estimate for 1983 was DKr 32bn of which the state expected to raise about DKr 3bn and other public sector borrowers almost all the rest.

This estimate was based on the assumption of a current external deficit of DKr 20bn. The deficit is now expected to come down to DKr 15-DKr 16bn. If Government policies begin to bear fruit in the form of rising industrial investment towards the end of next year, private sector capital imports may take some of the burden off the Kingdom.

The Kingdom will also try to limit the frequency of its own calls on the market by stepping up project finance credits, thereby reducing pure balance of payments financing.

Traditionally Denmark has raised about a third of its requirements in the bond market and, although the bond markets have become more choosy recently, the government intends to stick to this strategy.

The price of Danish bonds in the secondary market has slipped slightly in recent months against those countries with which Denmark likes to be compared. The government expects this to change from now on.

The banks are unlikely to get much sympathy from Denmark if they try to extract bigger spreads. When London interbank offered rates (Libor) were 16 per cent to 17 per cent, an extra ⅛ of a point was neither here nor there, but with Libor under 10 per cent, margins are more critical, said an official.

In the Danish view, the banks should rather seek to differentiate spreads and commissions more between the good and the less good risks—and Denmark will resist paying any more than the best risk borrowers.

Cardo and Alfa-Laval in genetics venture

By Carla Rapoport

CARDO and Alfa-Laval, two of Sweden's largest industrial groups, have combined their biotechnology interests to create AC Biotechnics. The new company will specialise in genetic research for the food, pharmaceutical, chemical and pollution control industries.

Biotechnics will be owned equally by its parents and have an initial equity capital of SKr 50m. Operations of the Swedish-based company will begin in 1983 and first year sales of SKr 100m ($13.4m) are forecast.

The decision to form Biotechnics follows hard on the heels of the recent investment by four Swedish groups in Genentech, a leading U.S. gene-splicing company. Genentech recently announced that a Swedish consortium, led by Alfa-Laval, bought 6.5 per cent of Genentech's shares in a private placement.

At that time, Mr Harry Faulkner, president and CEO of Alfa-Laval, said, "We are looking forward to an exchange of know-how and cooperative efforts with Genentech."

Increased offer for Pabst by Heileman

BY PAUL TAYLOR IN NEW YORK

G. Heileman Brewing Company, the fourth-largest brewer in the U.S., is to make a cash offer worth up to $150m for control of Pabst, the nation's fifth largest brewer. The complex deal will subsequently involve Olympia Brewing, another major force in the industry.

Heileman's $25-a-share bid for up to 6m Pabst shares would lift its existing stake in Pabst from 400,000 shares or about 4.8 per cent of the company up to 78 per cent and will be subject to a minimum of 3.7m Pabst shares being tendered.

The offer, agreed in principle by the companies, is Heileman's second bid for Pabst and marks the latest stage in a bitter year-long fight for control of the Milwaukee-based brewer.

In June a Heileman $24-a-share offer for Pabst was blocked by the Justice Department on anti-trust grounds. That offer followed an unwelcome $20-a-share bid for Pabst from C. Schmidt & Sons, a small Philadelphia-based brewer.

In the meantime Pabst has bought a 49 per cent stake in Olympia Brewing as part of a complicated merger deal designed to defeat the plans of Mr Irwin Jacobs, a dissident Pabst investor who controls 14 per cent of Pabst.

Two weeks ago Mr Jacobs, through his company JMSL Aquiring Corporation, made his latest bid for control of Pabst with a two-stage offer worth $22-a-share. Pabst responded by returning to the courts with a suit, still to be heard, attempting to block the offer.

Once Heileman has raised its stake in Pabst to 78 per cent it will propose mergers to Pabst and Olympia. It will retain some of the Pabst and Olympia assets and spin the remainder off as a new company to Pabst and Olympia shareholders who would receive shares and debentures in the new company. Heileman would inject cash into it and undertake to supply it with up to 3.15m barrels of beer for five years.

Heileman and Pabst have consulted the U.S. Justice Department about the proposed offer. They believe the deal presents no anti-trust problems and expect to obtain the department's approval.

INTERNATIONAL APPOINTMENTS

Top posts at Lloyds Bank International

● Mr J. H. A. Merryweather, formerly chief manager, Switzerland, has been appointed managing director of LLOYDS BANK INTERNATIONAL (Belgium) SA, Lloyds Bank group representative to the EEC and principal manager of the bank in Belgium. The EEC representational appointment is a newly-created post. Mr Merryweather will be based in Brussels. Mr J. B. Galbraith has been appointed chief manager, Switzerland, based in Geneva. He has also joined the board of Lloyds Bank International (Guernsey). Mr Galbraith was formerly manager, foreign exchange and money markets, head office. Mr J. M. Escombe, formerly principal manager, Belgium, has been appointed LBI's representative in Moscow, in succession to Mr S. Jeffreys, who retires from the bank.

Mr R. A. L. Figuls has been appointed assistant general manager, Bank of London and South America, Argentina. He was previously manager, Buenos Aires branch.

Mr D. H. A. Harrison, principal manager, Portugal, Bank of London and South America, is to be seconded to Lloyds Bank, as general manager's assistant. Mr C. W. Knight has been appointed principal manager, Portugal, in succession to Mr Harrison. He was previously principal manager of Lloyds Bank International's merchant banking services, Far East, Hong Kong. Mr K. J. Wallace has been made principal manager, merchant banking services, Far East, Hong Kong. He was previously manager, merchant banking services, Far East.

Mr N. L. Tose has been appointed manager, Melbourne branch, Lloyds International. He was previously manager of merchant banking services for the Bank of London and South America, River Plate.

Mr R. A. E. Grazebrook has been appointed vice president and manager Boston branch, Lloyds Bank International. He was previously vice-president of Chicago branch.

● Mr Michael Hartley has been appointed director and general manager of ROLLS-ROYCE (FAR EAST) in Tokyo. He succeeds Mr Derek John who returns to London as director of military marketing. The company provides service and liaison between Rolls-Royce and its airline, military and corporate customers throughout the Far East and South East Asia.

Mr Michael Hartley, director and general manager of Rolls-Royce (Far East) in Toyko

● Mr Albert J. Melrose has been appointed vice president, public affairs of KAISER STEEL CORP. Mr Melrose has served as director of investor relations for Lockheed Corp since 1979.

● Dr James H. Zumberge, president of the University of Southern California, has been elected to the board of LITTON INDUSTRIES. Mr Zumberge is a member of the boards of Dresser Industries, Inc, Pacific Lighting Corp, Security Pacific Corp, and Security Pacific National Bank.

● CHEMICAL BANK has appointed three senior vice-presidents: Mr Donald J. Marsh Jr, Mr Lawrence H. Miller Jr, and Mr Robert Gillham. Mr Marsh, who is in the Bank's energy and minerals group, is responsible for worldwide energy and directs the planning and co-ordination of the Bank's worldwide energy strategic plan. Mr Miller manages Latin America north for the group's Latin America division, which includes Mexico, Central America, the Caribbean, Colombia, Ecuador and Peru. Mr Gillham, who is in the Bank's energy and minerals group, is responsible for utilities, transmissions, and metals and mining operations.

● Mr Fawaz H. Naboulsi has been promoted to assistant vice-president at FIDELITY BANK'S London office.

● In accordance with the bylaws of F. W. WOOLWORTH, John W. Lynn, vice-chairman, will be acting chairman pending the election of a permanent successor to Mr Edward F. Gibbons who died recently. Mr Lynn, who has spent his entire career with the multi-national retailing firm, has been vice-chairman since 1980.

● Mr Norman Lange has been elected corporate vice president-marketing for GENERAL INSTRUMENT CORP. Mr Lange will have responsibility for assisting the line organisation in all facets of marketing and field sales.

● C.G.M. TRADING COMPANY has been established with Sig. Avv. Sossio Mario Mosca, a member of the board of directors of Cariplo, as chairman. Dott. Carlo Regispani has been made managing director. C.G.M. Trading Company is based in Milan.

● Mr Dennis G. Little has been appointed to the board of BICC USA as a non-executive director. He is a director and executive vice-president and chief financial officer of Avco Corp.

● Dr Paritosh M. Chakrabarti has been named director of research and development for PPG INDUSTRIES' chemicals operations. In the newly created post, Dr Chakrabarti has overall responsibility for co-ordination of the research, development and technology licensing efforts of PPG's industrial chemical division and agricultural and performance chemical division.

● Dr Henry Kissinger's international consultancy, KISSINGER ASSOCIATES, has been joined by Sir Yuet-Keung Kan, chairman of Hong Kong Trade Development Council. Sir YK, as he is known, is the chairman of the Bank of East Asia and a director of several major companies in the colony.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	109⅞	109¾	−0⅛	+0½	11.65
Amax Int. Fin. 16¼ 92	75	106⅞	107⅜	−0⅛	+1	14.75
Amax O/S Fin. 14¼ 89	75	107⅝	108⅛	0	0	12.38
Amro Bank 13 89	200	102¼	102¾	0	+2	12.47
BHP Finance 14¾ 89	150	105⅜	106¼	0	+2	13.26
Bk. Amer. NT SA 12 87	200	103	103½	0	+1⅛	10.98
Bk. Montreal 14⅛ 87	100	†104½	105	+0⅛	+1½	12.99
Bque. Indo Suez 15 89	100	106	106½	−0⅛	+1⅞	13.45
British Col. Hyd. 14¾ 89	200	108⅛	108⅝	−0⅛	+1⅛	12.87
British Col. Hyd. 15¾ 92	150	112⅛	112⅝	0	+1⅛	12.88
Canada 14½ 87	750	110⅛	110⅝	0	+1⅛	11.31
Canadair 12½ 89	175	102⅛	102⅝	0	+0⅞	11.95
Can. Pac. Sec. 14⅛ 92	75	108⅛	108⅞	+0⅛	+1⅛	13.32
Can. Pac. Sec. 15 89	75	108½	108⅝	+0⅛	+1⅞	13.44
CIBC 16 87	100	107⅞	108⅛	0	+1½	13.39
Citicorp O/S 15 84/92	100	103⅛	104⅛	0	+0⅛	11.58
Coca Cola Int. 11⅛ 89	100	104⅜	104⅞	+0⅛	+0⅛	10.81
Deutsche Bk. F. 14¼ 89	300	105⅛	107	0	+1⅛	12.68
Duke Pwr. O/S 15½ 89	60	†108⅛	108⅝	+0⅛	+2	13.39
Du Pont 14⅛ 89 WW	200	105⅜	106⅛	+0⅛	+0⅛	12.75
ECSC 14¾ 87 (April)	80	108⅛	108⅜	−0⅛	+2⅛	12.08
EIB 15½ 92	100	109½	110	0	+0⅞	13.59
Eksportfinans 14½ 89	50	105	106½	0	+1⅛	12.87
Forsmarks 13⅞ 92	75	102⅝	103⅛	0	+1⅛	13.20
Gen. Elec. Credit 12 89	100	104⅝	105⅛	0	+0⅛	10.89
Gen. Elec. Credit 0 0 93	400	33⅝	34⅛	+0⅛	+1⅛	11.06
Getty Oil Int. 14 89	125	106⅛	106⅞	0	+0⅛	12.41
GMAC O/S 15⅛ 85/87	100	105¾	106¼	0	+0⅛	12.38
GMAC O/S Fin. 15 89	125	108⅝	109⅛	0	+1½	12.88
GMAC O/S Fin. 15 87	100	107⅞	108⅛	−0⅛	+0⅛	12.48
Gulf Canada Ltd 14½ 92	100	107⅝	108⅛	0	+0⅛	13.15
Gulf Oil Fin. 12⅛ 87	100	104⅛	104⅝	+0⅛	0	11.00
Gulf Oil 14¼ 94	175	104⅛	104⅝	0	+0⅛	13.44
IBM Wld. Trade 12⅛ 92	200	107½	107⅞	0	+0⅞	10.96
Manitoba Prov. 13¾ 89	100	106⅝	107⅛	+0⅛	+0⅛	12.20
Nat. West. Fin. 11⅛ 92	150	100⅛	100⅝	0	+0⅛	11.68
New Brunswick 15⅛ 87	75	107⅛	107⅝	+0⅛	+1⅛	12.98
Nova Scotia Pr. 15¼ 89	75	†107⅝	108⅛	−0⅛	+1⅛	11.34
Ontario Hydro 14¼ 89	150	109	109½	+0⅛	+1⅛	12.53
Ontario Hydro 12¾ 92	200	103⅞	104⅜	+0⅛	+1⅛	12.07
Ontario Hydro 15 92	150	111⅛	111⅝	+0⅛	+1⅛	12.64
Pac. Gas. & El. 15¾ 89	45	110⅛	110⅝	0	+0⅛	12.96
Phillips Petrol 14 89	200	105⅛	105⅝	+0⅛	+1	12.57
Prudential O/S 12⅛ 87	150	105⅛	105⅝	0	+1⅛	11.26
R. J. Reynolds 12⅛ 89	100	103⅞	104⅜	0	+0⅞	11.83
Saskatchewan P. 15 92	150	109½	110	+0⅛	+1⅛	13.14
Shell Canada 14⅛ 92	125	109⅛	109⅝	+0⅛	+1½	12.74
Superior O/S Fin. 14 89	125	105⅛	106⅛	+0⅛	+0⅞	12.58
Swed. Exp. Cr. 14⅛ 90	100	106⅜	106⅞	0	+1½	11.26
Texas Eastern 15⅛ 89	60	107½	108⅛	−0⅛	+1⅛	11.76
Walt Disney Pr. 12⅛ 89	75	103⅛	103⅝	+0⅛	+1⅛	11.68
World Bank 13⅛ 87	300	105	105½	−0⅛	+1⅛	11.76
World Bank 14½ 87	500	107⅝	108⅛	0	+1⅛	11.84
World Bank 15 87	250	110⅛	110⅞	+0⅛	+2⅛	11.89
World Bank 15 88	150	110⅛	111⅛	0	+2⅛	12.21
Xerox Fin. 14 87 WW	100	104⅝	105⅛	−0⅛	+0⅛	12.61

Average price changes... On day 0 on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asn. D. B. 9½ 92 (Apr)	150	99⅞	100⅜	0	0	9.19
Asn. D. B. 9¾ 92 (Aug)	150	100⅞	101⅜	+0⅛	+0⅛	9.12
Austria 8½ 92	100	99⅝	100⅛	0	−0⅛	8.56
Barclays O/S 8½ 94	100	100⅛	100⅝	0	+0⅛	8.33
Beecham Fin. 8½ 92	125	99	99½	−0⅛	−0⅛	8.25
Black and Decker 9½ 89	100	103⅛	103⅝	0	0	8.44
Bowater Int. Fin. 8½ 89	50	98⅛	99⅛	−0⅛	−0⅛	8.74
Caisse Nat. Tele. 9½ 92	100	102⅛	102⅝	+0⅛	+0⅛	9.11
Cred. Foncier 8¾ 92	100	100	100½	0	0	8.70
EIB 8⅛ 92	100	100⅛	101	0	+0⅛	8.26
EIB 8⅛ 92	200	99⅞	100⅛	0	−0⅛	8.28
Int. Am. Dev. Bk. 9 92	150	100⅛	100⅞	0	0	8.90
ITT Antilles 9½ 92	100	106⅝	107⅛	0	0	8.18
Nacnl. Financiera 11 90	150	84	86	+0⅛	+1⅛	14.41
Norsk Hydro 8½ 92	100	102⅛	103	0	−0⅛	8.06
Norsk Hydro 9 92	100	104⅝	104⅞	+0⅛	+0⅛	8.29
OKB 8¾ 89	100	101⅛	101⅝	+0⅛	+0⅛	8.59
Philips Lamps 8½ 92	100	105	106⅛	0	+0⅞	7.70
Philip Morris 8½ 90	100	106⅛	107	+0⅛	+0⅛	7.07
Renfe 10 92	100	101⅝	102⅛	−0⅛	+0⅛	[illegible]
SNCF 8¾ 92	100	99⅝	100½	0	+0⅛	[illegible]
Tenneco Int 9 92	100	103⅛	103⅝	0	0	8.46
World Bank 8½ 92	200	101⅝	101⅞	−0⅛	+0⅛	8.25
World Bank 9 92	200	103	103½	0	−0⅛	8.51

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austrian Elec. 6¾ 92	100	102⅝	102⅞	−0½	0	6.36
BNP 6¾ 92	100	101½	101⅞	+0⅛	+0⅛	6.51
City of Oslo 6¾ 92	100	102⅝	103	−0⅛	+0⅛	5.86
EEC 5⅛ 92	100	103⅛	103½	+0⅛	+2	5.79
EIB 6⅛ 92	100	101⅝	102	+0⅛	+1⅛	5.99
Eldorado Nuclear 6⅝ 92	100	105⅛	105½	−0⅛	+0⅛	5.78
Elec. de France 6⅝ 92	100	103⅛	103⅝	+0⅛	+0⅛	6.42
Elec. Power Dev. 6½ 92	100	105⅛	105⅝	0	0	6.75
Ind. Bank Japan 6¼ 92	100	102⅛	102⅝	+0⅛	−0⅛	5.91
Japan Airlines 6 94	100	102½	102⅞	−0⅛	0	5.69
Kansai El. Power 6⅝ 92	100	103⅛	104⅛	+0⅛	+0⅛	6.18
Kawasaki Steel 6½ 92	100	99⅛	99⅝	+0⅛	+0⅛	6.60
Koa Oil Co 7 92	75	103⅛	104	−0⅛	+0⅛	6.65
Mon. Blanc Tun. 7⅛ 92	70	103⅞	104	+0⅛	+0⅛	5.57
Nutomas O/S F. 7⅛ 90	75	103⅛	104	−0½	+0⅛	5.93
Nippon Tel. & T 6⅝ 92	100	†105	105½	+0⅛	+0½	5.77
Norges Kommbk. 5⅞ 92	100	103½	103⅞	0	+0⅛	5.76
NYK 6⅞ 92	100	101⅛	101⅝	+0⅛	+0⅛	6.57
OKB 7⅛ 92	100	103⅛	104	−0⅛	+0½	6.69
Philips Lamps 5⅞ 92	100	103	103½	0	+0⅛	5.34
Quebec Hydro 6⅛ 92	100	105⅛	105⅝	+0⅛	+0½	5.90
Sumitomo Metal 6⅞ 92	100	101⅛	101⅝	−0⅛	+0⅛	6.57
Swed. Exp. Cred. 7⅛ 91	100	104	104½	0	−0⅛	6.61
TNT O/S Fin. 6⅞ 92	100	99⅞	100½	−0⅛	+0⅛	6.67

(continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
World Bank 6⅝ 92	100	104⅛	104⅝	+0⅛	+2⅛	5.64
World Bank 7⅛ 92	100	107⅝	108	−0½	+1⅛	6.14

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅛ 92	15	101⅞	102⅜	+0⅛	+0½	8.23
EIB 8⅛ 92	15	98⅝	99⅛	0	+0⅛	8.43
Int.-Amer. Dev. 8⅛ 91	15	100⅞	101⅞	+0⅛	+0⅛	8.65
Japan Airlines 7⅞ 87	8	96⅛	97⅛	+0⅛	+0⅛	8.83
World Bank 8⅛ 92	20	99⅝	100⅛	−0	+0⅛	8.36

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 15 88 C$	100	†109	109½	−0⅛	+1⅛	13.80
Br. Col. Tel. 17⅛ 88 C$	50	†110⅛	111½	0	+2	14.30
Can. Utilities 17 87 C$	35	†111	112	+0⅛	+2⅛	13.52
Gaz Metro 17⅛ 90 C$	20	†105⅛	106½	+0⅛	+0½	15.86
OKB 16⅛ 88 C$	63	†109⅝	110⅛	0	+1½	13.53
O. Hyd. 16½ 89 (M) C$	50	†108⅝	109⅛	+0⅛	+2	14.11
Univ. Queb. 16⅛ 87 C$	17	†102⅛	103	0	+0⅛	15.96
U. Bk. Nwy. 9½ 90 EUA	18	95⅛	96⅛	0	+1	10.23
Amro Bk. 10 87 (A) Fl	75	102⅛	102⅝	−0⅛	+0⅛	9.31
Bk. Mees & H. 10 87 Fl	75	101⅛	102⅛	0	+1⅛	9.46
EIB 10 87 Fl	75	103⅛	103⅞	−0⅛	+0⅛	9.02
Sears O/S 10⅛ 87 Fl	100	105⅛	105⅞	−0⅛	+2	8.77
Van Lanschot 10⅛ 87 Fl	50	101	101½	+0⅛	+1	9.88
World Bank 10 87 Fl	100	102⅝	103⅛	0	+0⅛	9.22
OKB 14 86 FFr	400	96⅞	97⅞	+0½	+0⅛	14.99
Solvay et C. 14⅛ 86 FFr		96⅛	97⅛	+0⅛	+0⅛	15.97
Beneficial 14⅛ 90 £ (D)	20	97½	98⅛	−0⅞	+0⅞	14.87
BFCE 14½ 87 £	30	109⅛	110⅛	0	+1⅛	11.57
BNP 13⅛ 91 £	15	105⅝	106⅝	0	+0½	12.25
CECA 13⅛ 88 £	20	105⅝	106⅝	+0⅛	+1⅛	12.00
CNT 12½ 89 £	20	102⅛	103⅛	0	+0⅞	11.89
Fin. for Ind. 12⅛ 88 £	30	104⅛	105⅛	+0⅛	+1⅛	11.11
F. Met. Oranj. 12⅛ 92 £	30	27⅞	28⅛	+0⅛	+0⅛	12.07
Finn. Ex. Crd. 13⅛ 88 £	15	104⅛	105⅛	0	+0⅛	11.95
Gen. Elec. Co. 12½ 89 £	50	104⅛	105⅛	0	+0⅞	11.37
Hiram Walker 14⅛ 86 £	25	104½	105½	0	+1⅛	12.31
Norsk Hydro 14½ 87 £	30	109⅛	110⅛	+0⅛	+1⅛	11.56
Quebec 15½ 87 £	35	110⅛	111½	+0⅛	+0⅞	12.07
Quebec Prov. 14½ 89 £	30	106⅛	107⅛	0	+0½	12.80
SDR France 15½ 92 £	30	108⅛	109⅛	−0⅛	+0⅛	13.58
SNCF 11⅛ 89 £	30	23⅛	24⅛	−0⅛	0	11.83
Tenneco Int. 14⅛ 87 £	30	107⅛	108⅛	−0⅛	+1⅛	12.41
Coun. Eur. 12½ 92 LuxFr	500	104⅛	105⅛	0	0	11.64
Eurofima 10⅛ 87 LuxFr	500	96⅞	97⅞	0	0	10.66

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0⅛	97⅛	98⅛	15/4	10⅛	10.86
Bk. of Tokyo 5⅛ 91 (D)	0⅛	99⅞	100⅛	6/12	15⅛	15.23
Bk. Nova Scotia 5½ 93	0⅛	98⅛	99⅛	29/4	10⅛	10.62
BFCE 5⅛ 88	0⅛	99½	100	28/4	10.69	10.71
BFCE 5⅛ 87	0⅛	100⅛	100⅜	27/1	14	13.91
Caisse Nat. Tele. 5⅛ 90	0⅛	99⅝	100⅛	21/4	10.56	10.58
CCCE 5⅛ 2002	0⅛	98⅛	98⅞	11/12	15⅛	15.59
CEPME 5⅛ 92	0⅛	99⅞	100⅛	10/12	15.44	15.42
Chemical NY 5⅛ 94	‡0⅛	99⅛	99⅞	23/12	12⅛	12.42
Credit Agricole 5⅛ 97	0⅛	100⅛	100⅝	24/3	12⅞	12.83
Credit du Nord 5⅛ 92	0⅛	99⅛	100⅛	23/12	16.87	16.83
Credit Lyonnais 5⅛ 87	0⅛	100⅛	100⅝	1/4	12.18	12.14
Credit Lyonnais 5⅛ 94	0⅛	100⅛	100⅞	1/1	16.94	16.83
Credit Nat. 5⅛ 94	‡0⅛	99⅛	100⅛	2/3	12.18	12.18
Ireland 5⅛ 89/94	0⅛	†97⅛	98⅛	25/11	14½	16.05
Kansallis Osake 5½ 92	0⅛	99⅛	99⅝	6/11	15.31	16.41
Lloyds Eurofin 5⅛ 93	§0⅛	99⅝	100⅛	29/4	10.56	10.56
Long Term Cred. 5⅛ 92	0⅛	98⅛	98⅞	29/11	14½	14.68
J. P. Morgan 5⅛ 97	§0⅛	99⅛	99⅝	12/11	12.94	13.02
Nat. West. Fin. 5⅛ 91	§0⅛	100	100⅛	16/1	15⅛	15.21
New Zealand 5⅛ 87	0⅛	100½	101	7/4	12½	12.41
Nippon Credit 5⅛ 90	0⅛	100⅛	101⅛	10/3	13⅞	13.76
Offshore Mining 5⅛ 91	0⅛	99⅝	100⅛	2/12	14.18	14.18
PKbanken 5 91	0⅛	99⅝	100⅛	17/12	15.81	15.81
Scotland Int. 5⅛ 92	0⅛	99½	100⅛	23/3	13⅛	13.25
Sec. Pacific 5⅛ 91	0⅛	99⅝	100⅛	24/11	15	16.02
Societe Generale 5⅛ 98	0⅛	99⅛	100⅛	1/3	12.81	12.81
Standard Chart. 5⅛ 87	0⅛	99⅛	99⅝	16/11	14⅞	14.95
Sweden 5⅛ 89	0⅛	99⅝	100⅛	26/2	11.81	11.83
Toronto Domin'n 5⅛ 92	0⅛	98½	99	11/2	14.31	14.49

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/87	933	83	84½	0	14.46
Bridgestone Tire 5½ 96	3/82	470	84⅝	86⅛	+2	4.27
Canon 6¾ 95	1/81	736.9	121⅛	123⅛	−3⅛	0.88
Canon 7 97	7/82	748.2	140⅞	142⅛	+0⅛	2.16
Chugai Pharm. 7⅛ 96	7/82	706.6	144⅝	146⅝	−3	−9.71
Fujitsu Fanuc 4½ 96	10/81	6641	89⅛	91⅛	+0⅛	36.40
Furukawa Elec. 5⅛ 96	7/81	300	†86	87	+1	3.04
Hitachi Cable 5⅛ 96	2/82	515	87⅛	88⅛	+1⅛	8.85
Hitachi Cred. Cpn. 5 96	7/81	1812	85⅛	87⅛	−0⅛	17.86
Honda Motor 5⅛ 97	3/82	825.5	100½	102	−0⅛	−0.70
Kawasaki 5⅛ 96	9/81	229	60⅛	62⅛	+0⅛	39.82
Kumagai Gumi 6½ 97	10/82	400	101⅛	103	+0⅛	11.47
Marui 6 96	7/81	846.4	96½	98	−0⅛	7.18
Minolta Camera 5 96	10/81	826.4	64⅛	66	−0½	39.47
Minorco 8¼ 97	5/82	6.16	†119½	121½	+6	6.00
Murata 5⅛ 96	7/81	2168	72½	74	0	33.40
NKK 6½ 96	7/81	186	64½	66	+1⅛	31.20
Nippon Electric 5⅛ 97	2/82	846	102	103½	−1	19.09
Orient Finance 5⅛ 97	3/82	1205	84⅛	85⅛	−0⅛	15.94
Sanyo Electric 6 96	10/81	652	†77	78½	−9⅛	23.81
Sumitomo Elec. 6½ 97	3/82	677.3	84⅛	86⅛	−0⅛	14.24
Sumitomo Met. 5⅛ 96	10/81	296.1	68	69½	−0⅛	62.55
Minebea 6½ 92 SwFr	10/82	667	112½	115½	−3⅛	−6.00
Konishiroku 6⅛ 88 DM	6/82	616	110⅛	111⅛	−0⅛	0.43
Mitsubishi H. 6 89 DM	2/82	263	92	93	−0⅛	36.66

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,850.5	13,321.2
Previous week	945.8	10,403.5
Other bonds		
Last week	883.4	668.0
Previous week	8,112.2	674.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on November 5

NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — OCTOBER 1982

U.S. $75,000,000

Dresser Overseas Finance N.V.

(Incorporated with limited liability in the Netherlands Antilles)

12½% Guaranteed Notes Due 1989

Unconditionally guaranteed as to payment of principal, premium, if any, and interest by

Dresser Industries, Inc.

(Incorporated in Delaware)

Credit Suisse First Boston Limited

Banque Bruxelles Lambert S.A. — **Banque Nationale de Paris**
Banque Paribas — **Baring Brothers & Co., Limited**
Deutsche Bank Aktiengesellschaft — **Merrill Lynch International & Co.**
Morgan Stanley International — **Swiss Bank Corporation International Limited**
Union Bank of Switzerland (Securities) Limited — **S. G. Warburg & Co. Ltd.**
Wood Gundy Limited

Algemene Bank Nederland N.V. — Amro International Limited — Arnhold and S. Bleichroeder, Inc. — Julius Baer International Limited
Banca del Gottardo — *Bank of America International Limited* — *Bank für Gemeinwirtschaft Aktiengesellschaft* — *Bank Gutzwiller, Kurz, Bungener (Overseas) Limited*
Bank Leu International Ltd. — Bankhaus Gebrüder Bethmann — Banque Générale du Luxembourg S.A.
Banque de l'Indochine et de Suez S.A. Luxembourg — Banque Internationale à Luxembourg S.A. — Banque Populaire Suisse S.A. Luxembourg
Banque Privée de Gestion Financière BPGF — Banque Worms — Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft — Blyth Eastman Paine Webber International Limited
Chemical Bank International Group — Christiania Bank og Kreditkasse — CIBC Limited — Citicorp International Group — Clariden Bank — County Bank Limited
Crédit du Nord — Creditanstalt-Bankverein — Dai-Ichi Kangyo International Limited — Daiwa Europe Limited — Delbrück & Co.
Deutsche Girozentrale – Deutsche Kommunalbank – — DG BANK Deutsche Genossenschaftsbank — Dominion Securities Ames Limited — Dresdner Bank Aktiengesellschaft — Drexel Burnham Lambert Incorporated
Effectenbank-Warburg Aktiengesellschaft — Euromobiliare — Fuji International Finance Limited — Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Goldman Sachs International Corp. — Hambros Bank Limited — E. F. Hutton International Inc.
IBJ International Limited — Kidder, Peabody International Limited — Kleinwort, Benson Limited — Lazard Frères et Cie — Lombard Odier International S.A. - Panama -
LTCB International Limited — Manufacturers Hanover Limited — Mitsubishi Bank (Europe) S.A. — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited
The Nikko Securities Co., (Europe) Ltd. — Nomura International Limited — Norddeutsche Landesbank Girozentrale — Orion Royal Bank Limited
Österreichische Länderbank — Pictet International Ltd. — L. F. Rothschild, Unterberg, Towbin — Salomon Brothers International
Scandinavian Bank Limited — Schröder, Münchmeyer, Hengst & Co. — J. Henry Schroder Wagg AG Zürich — J. Henry Schroder Wagg & Co. Limited
Skandinaviska Enskilda Banken — *Smith Barney, Harris Upham & Co. Incorporated* — *Société Générale* — *Société Générale de Banque S.A.*
Svenska Handelsbanken Group — Vereins- und Westbank Aktiengesellschaft — Westdeutsche Landesbank Girozentrale — Yamaichi International (Europe) Limited

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NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — NOVEMBER 1982

U.S. $75,000,000

FEC

Finnish Export Credit Ltd

(Incorporated with limited liability in Finland)

12¾% Notes Due 1987

Credit Suisse First Boston Limited — **Morgan Stanley International**
Amro International Limited — **Banque Bruxelles Lambert S.A.**
Citicorp International Group — **Deutsche Bank Aktiengesellschaft**
Lehman Brothers Kuhn Loeb International, Inc. — **Merrill Lynch International & Co.**
Nomura International Limited — **S. G. Warburg & Co. Ltd.** — **Kansallis-Osake-Pankki**
Postipankki — **Union Bank of Finland Ltd.** — **Bank of Helsinki Ltd.**

Algemene Bank Nederland N.V. — Andelsbanken A/S Danebank — Arnhold and S. Bleichroeder, Inc. — Julius Baer International Limited
Banca Commerciale Italiana — Banca del Gottardo — Bank of America International Limited — Bank für Gemeinwirtschaft Aktiengesellschaft — Bank Leu International Ltd.
Bank Leumi le-Israel Group — Bank Mees & Hope NV — *Bankhaus Gebrüder Bethmann* — *Banque Française du Commerce Extérieur*
Banque Générale du Luxembourg S.A. — Banque Indosuez — Banque Internationale à Luxembourg S.A. — Banque Louis-Dreyfus
Banque Nationale de Paris — Banque de Neuflize, Schlumberger, Mallet — Banque Paribas — Banque Populaire Suisse S.A. Luxembourg
Banque Privée de Gestion Financière BPGF — Banque de l'Union Européenne — Banque Worms — Barclays Bank Group — Baring Brothers & Co., Limited
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft — Bayerische Landesbank Girozentrale — Bayerische Vereinsbank Aktiengesellschaft — Joh. Berenberg, Gossler & Co.
Bergen Bank A/S — Berliner Bank Aktiengesellschaft — Berliner Handels- und Frankfurter Bank — Blyth Eastman Paine Webber International Limited — B.S.I. Underwriters Limited
Chase Manhattan Capital Markets Group Chase Manhattan Limited — Chemical Bank International Group — CIBC Limited — Clariden Bank — Commerzbank Aktiengesellschaft
Copenhagen Handelsbank A/S — County Bank Limited — Crédit Commercial de France — Crédit Industriel et Commercial — Crédit Lyonnais
Crédit du Nord — Credit Suisse First Boston (Asia) Limited — Creditanstalt-Bankverein — Dai-Ichi Kangyo International Limited — *Daiwa Europe Limited*
Delbrück & Co. — Den Danske Bank — Den Danske Provinsbank A/S — Den norske Creditbank — Deutsche Girozentrale – Deutsche Kommunalbank – — DG BANK Deutsche Genossenschaftsbank
Dresdner Bank Aktiengesellschaft — Drexel Burnham Lambert Incorporated — Effectenbank-Warburg Aktiengesellschaft — Euromobiliare — European Banking Company Limited
L'Européenne de Banque — *First Chicago Limited* — *Fuji International Finance Limited* — *Genossenschaftliche Zentralbank AG Vienna*
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Goldman Sachs International Corp. — Götabanken — Hambros Bank Limited
Handelsbank N.W. (Overseas) Limited — Hessische Landesbank -Girozentrale- — Hill Samuel & Co. Limited — The Hongkong Bank Group — IBJ International Limited
Kansallis International Bank S.A. — Kidder, Peabody International Limited — Kleinwort, Benson Limited — Kredietbank S.A. Luxembourgeoise — Lazard Frères et Cie
LTCB International Limited — Manufacturers Hanover Limited — Midland Doherty Limited — Mitsubishi Bank (Europe) S.A.
Mitsubishi Trust & Banking Corporation (Europe) S.A. — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd
Nederlandse Credietbank N.V. — Nederlandsche Middenstandsbank N.V. — The Nikko Securities Co., (Europe) Ltd. — Norddeutsche Landesbank Girozentrale
Nordic Bank PLC — Okobank Osuuspankkien Keskuspankki Oy — Orion Royal Bank Limited — Österreichische Länderbank
Pierson, Heldring & Pierson N.V. — PK Christiania Bank (UK) Limited — Privatbanken A/S — N. M. Rothschild & Sons Limited — L. F. Rothschild, Unterberg, Towbin
Salomon Brothers International — Scandinavian Bank Limited — Schröder, Münchmeyer, Hengst & Co. — J. Henry Schroder Wagg & Co. Limited
Skandinaviska Enskilda Banken — Shopbank — Smith Barney, Harris Upham & Co. Incorporated — Société Générale — Société Générale de Banque S.A.
Sparbankernas Bank — Sparebanken Oslo Akershus — Sparekassen SDS — Strauss, Turnbull & Co. — Sumitomo Finance International
Sumitomo Trust International Limited — Svenska Handelsbanken — Swiss Bank Corporation International Limited — Union Bank of Norway Ltd.
Union Bank of Switzerland (Securities) Limited — Verband Schweizerischer Kantonalbanken — Vereins- und Westbank Aktiengesellschaft
M. M. Warburg-Brinckmann, Wirtz & Co. — Westdeutsche Landesbank Girozentrale — Wood Gundy Limited — *Yamaichi International (Europe) Limited*

NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — NOVEMBER 1982

U.S. $100,000,000

Export Development Corporation

(An agent of Her Majesty in right of Canada)

Société pour l'expansion des exportations

(Mandataire de Sa Majesté du chef du Canada)

11¾% Notes Due November 1, 1987

Credit Suisse First Boston Limited

Wood Gundy Limited — ***Banque Paribas*** — ***Daiwa Europe Limited***
Deutsche Bank Aktiengesellschaft — ***Salomon Brothers International***
Swiss Bank Corporation International Limited — ***Westdeutsche Landesbank Girozentrale***

Amro International Limited — Banque Nationale de Paris — Dominion Securities Ames Limited — Kredietbank N.V.
McLeod Young Weir International Limited — Merrill Lynch International & Co. — Morgan Stanley International — Nomura International Limited
Orion Royal Bank Limited — Société Générale de Banque S.A. — Union Bank of Switzerland (Securities) Limited — S. G. Warburg & Co. Ltd.
Abu Dhabi Investment Company — Algemene Bank Nederland N.V. — American Express Bank International Group — Arab Bank Investment Company Limited
Arnhold and S. Bleichroeder, Inc. — Julius Baer International Limited — Banca Commerciale Italiana — Bank of America International Limited — Bank Leu International Ltd.
Bank of Tokyo International Limited — Bankers Trust International Limited — Bankhaus Gebrüder Bethmann — Banque Arabe et Internationale d'Investissement (B.A.I.I.)
Banque Bruxelles Lambert S.A. — Banque Indosuez — Banque Internationale à Luxembourg S.A. — Banque Populaire Suisse S.A. Luxembourg
Banque Worms — Barclays Bank Group — Baring Brothers & Co., Limited — Bayerische Landesbank Girozentrale — Bayerische Vereinsbank Aktiengesellschaft — *Bergen Bank A/S*
Berliner Handels- und Frankfurter Bank — Blyth Eastman Paine Webber International Limited — Burns Fry Limited — Caisse des Dépôts et Consignations
Chase Manhattan Capital Markets Group Chase Manhattan Limited — Chemical Bank International Group — Christiania Bank og Kreditkasse — CIBC Limited — Citicorp International Group
Clariden Bank — Commerzbank Aktiengesellschaft — Continental Illinois Limited — County Bank Limited — Crédit Commercial de France — Crédit Lyonnais
Creditanstalt-Bankverein — *Dai-Ichi Kangyo International Limited* — Delbrück & Co. — Den Danske Bank — Den norske Creditbank
Deutsche Girozentrale – Deutsche Kommunalbank – — Dresdner Bank Aktiengesellschaft — Drexel Burnham Lambert Incorporated — Effectenbank-Warburg Aktiengesellschaft — Euromobiliare — European Banking Company Limited
First Chicago Limited — Fuji International Finance Limited — Genossenschaftliche Zentralbank AG Vienna — Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp. — Hambros Bank Limited — Hessische Landesbank -Girozentrale- — Hill Samuel & Co. Limited — IBJ International Limited
Kansallis-Osake-Pankki — *Kidder, Peabody International Limited* — Kleinwort, Benson Limited — Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kuwait International Investment Co. s.a.k. — Kuwait Investment Company (S.A.K.) — Lazard Brothers & Co., Limited — Lévesque, Beaubien Inc.
LTCB International Limited — Manufacturers Hanover Limited — Midland Doherty Limited — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd
National Bank of Abu Dhabi — Nesbitt, Thomson Limited — The Nikko Securities Co., (Europe) Ltd. — Norddeutsche Landesbank Girozentrale
PK Christiania Bank (U.K.) Limited — Postipankki — Privatbanken A/S Trust Co. — Richardson Greenshields of Canada (U.K.) Limited — N. M. Rothschild & Sons Limited
Sanwa Bank (Underwriters) Limited — Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited — Scandinavian Bank Limited — Schröder, Münchmeyer, Hengst & Co. — J. Henry Schroder Wagg & Co. Limited
Skandinaviska Enskilda Banken — Société Bancaire Barclays (Suisse) S.A. — *Société Générale* — Sumitomo Finance International
Svenska Handelsbanken — *The Taiyo Kobe Bank* (Luxembourg) S.A. — Union Bank of Finland Ltd. — Verband Schweizerischer Kantonalbanken
Vereins- und Westbank Aktiengesellschaft — J. Vontobel & Co. — Williams & Glyn's Bank plc — Yamaichi International (Europe) Limited

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NEW ISSUE — *These Debentures having been sold, this announcement appears as a matter of record only.* — NOVEMBER 1982

U.S. $75,000,000

Southern California Edison Finance Company N.V.

(Incorporated with limited liability in the Netherlands Antilles)

11¼% Guaranteed Debentures Due 1990

Unconditionally guaranteed as to payment of principal, premium, if any, and interest by

SCE

Southern California Edison Company

(Incorporated in California)

Credit Suisse First Boston Limited

Algemene Bank Nederland N.V. — ***Banque Paribas*** — **County Bank Limited**
Creditanstalt-Bankverein — **Crédit Lyonnais** — **Dresdner Bank Aktiengesellschaft**
Kredietbank International Group — **LTCB International Limited** — **Smith Barney, Harris Upham & Co. Incorporated**
Société Générale de Banque S.A. — **Swiss Bank Corporation International Limited**
Union Bank of Switzerland (Securities) Limited — **S. G. Warburg & Co. Ltd.**

Amro International Limited — Bache Halsey Stuart Shields Incorporated — Julius Baer International Limited — Banca Commerciale Italiana
Banca del Gottardo — Bank Cantrade Switzerland (C.I.) Limited — Bank Gutzwiller, Kurz, Bungener (Overseas) Limited — Bank Leu International Ltd.
Bank Leumi le-Israel Group — Bank Mees & Hope NV — Bank of Tokyo International Limited — Bankers Trust International Limited
Banque Arabe et Internationale d'Investissement (B.A.I.I.) — Banque Bruxelles Lambert S.A. — Banque Française du Commerce Extérieur
Banque Générale du Luxembourg S.A. — Banque Internationale à Luxembourg S.A. — Banque Populaire Suisse S.A. Luxembourg
Banque Privée de Gestion Financière BPGF — Banque Worms — Baring Brothers & Co., Limited — Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale — Bayerische Vereinsbank Aktiengesellschaft — Bear, Stearns & Co. — Joh. Berenberg, Gossler & Co.
Berliner Handels- und Frankfurter Bank — Blyth Eastman Paine Webber International Limited — B.S.I. Underwriters Limited — Cazenove & Co.
Chase Manhattan Capital Markets Group Chase Manhattan Limited — Clariden Bank — Compagnie de Banque et d'Investissements, CBI
Crédit du Nord — Dai-Ichi Kangyo International Limited — Daiwa Europe Limited — Deutsche Bank Aktiengesellschaft — Deutsche Girozentrale - Deutsche Kommunalbank -
DG BANK Deutsche Genossenschaftsbank — *Drexel Burnham Lambert Incorporated* — *Effectenbank-Warburg Aktiengesellschaft* — *Euromobiliare* — *European Banking Company Limited*
Genossenschaftliche Zentralbank AG Vienna — Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Goldman Sachs International Corp.
Hambros Bank Limited — Handelsbank N.W. (Overseas) Limited — Hessische Landesbank –Girozentrale– — Hill Samuel & Co. Limited — The Hongkong Bank Group
E. F. Hutton International Inc. — IBJ International Limited — *Kidder, Peabody International Limited* — Kleinwort, Benson Limited
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.) — Kuwait International Investment Co. s.a.k. — Kuwait Investment Company (S.A.K.)
Lazard Brothers & Co., Limited — Lazard Frères et Cie — Lehman Brothers Kuhn Loeb International, Inc. — Lloyds Bank International Limited
Lombard Odier International S.A. –Panama– — Manufacturers Hanover Limited — Merrill Lynch International & Co. — Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd — Morgan Stanley International — The Nikko *Securities Co., (Europe) Ltd.*
Nomura International Limited — Nordic Bank PLC — Orion Royal Bank Limited — Österreichische Länderbank — Pictet International Ltd.
Pierson, Heldring & Pierson N.V. — Salomon Brothers International — Scandinavian Bank Limited — Schröder, Münchmeyer, Hengst & Co.
J. Henry Schroder Wagg & Co. Limited — Société Centrale de Banque — Standard Chartered Merchant Bank Limited — Strauss, Turnbull & Co.
Svenska Handelsbanken — Verband Schweizerischer Kantonalbanken — Vereins- und Westbank Aktiengesellschaft — J. Vontobel & Co.
Westdeutsche Landesbank Girozentrale — Dean Witter Reynolds Overseas Ltd. — Wood Gundy Limited — Yamaichi International (Europe) Limited

UK COMPANY NEWS

● TERRY GARRETT LOOKS AT CANVERMOOR'S USM LISTING

Draught flows southerly for Hemans

MORE than a decade ago, Tony Hemans was one of the men arguing that soft drinks manufacturers should be pushing energetically into draught products. His employers, a national chain, were less convinced. Now, he and they are competitors. In a few weeks Mr Hemans brings his company — Canvermoor — to the Unlisted Securities Market via a placing to raise around £1m, most of which is earmarked to fund expansion in the South of England.

Mr Hemans started Canvermoor in 1972, wholesaling soft drinks on draught to social clubs in West Yorkshire. Five years later he had a factory in Normanton manufacturing his own product. The customer list has grown from 500 in 1979 to 1,500 today—with 400 of that total being added in the last year as Canvermoor pushed southwards away from its traditional home ground of working men's clubs.

In his briefcase Mr Hemans carries the plans of a £750,000 factory to be built near Luton Airport, and in his balance sheet sits a £200,000 investment in plastic crates to carry his attack on the bottled drink market.

This rapid physical and product expansion and the move to the USM is part of an ambition to get full national coverage by the mid-eighties.

Canvermoor's basic draught product comes in two forms—postmix and premix. As the names imply, one is concentrated syrup which is diluted with carbonated tap water on the outlet's premises, the other (premix) comes ready to serve. Both are pumped under pressure through chillers to dispensers on the bar.

For the club, the beauty of draught juices is that it saves space, time and, best of all, money. A four-gallon postmix tank holds the equivalent of 640 6 fl oz bottles. Canvermoor supplies the tanks and equipment so the club saves on crates and bottle deposits.

Apart from the more obvious run of shandy, cola, lemonade, orange and bitter lemon (the last two also in low calorie lines), Canvermoor has branched out with its own brand cider.

Enticed by a rapidly growing UK cider market, Canvermoor moved into draught cider this time last year. Unable to strike a deal with any of the UK manufacturers, Canvermoor turned to a German brewer as a source. According to Mr Hemans, he can ship it in from the Continent at a lower cost than he can buy from UK manufacturers, and if the German's cider was any stronger it would be eligible for wine tax. Evidently it sells well but customers can't drink that much at one time.

Cider may be a good product addition but the real effort of the past 12 months has been the push southwards. Apart from adding 400 new outlets in the past year — Canvermoor's biggest customer is now the Rolls-Royce Sports Club near Watford —the company has almost doubled its number of distribution depots.

The new Luton factory is clearly pivotal to the development of the southern market. Hauling its drinks (much of it fizzy water) by road from West Yorkshire is hardly cost effective, yet the existing leasehold premises at Luton do not carry planning permission for manufacturing.

And apart from getting a factory closer to a major market —potentially doubling Canvermoor's output—Luton acts as an insurance policy against a disaster in the Normanton works.

But rapid growth like this has been costly in cash terms, rocketing front end costs on equipment and has pushed up the depreciation charge. So, in spite of a turnover rise of 30 per cent in the year to September 30 last, profits took a small step backwards. It is unlikely that the pre-tax line was much above £500,000 against £530,000.

Apart from the impact of rapid physical growth on last year's profits—and undoubtedly the prospectus will be hinting that the profits line would have been much better had the company held back on its spending —the whole industry has come under pressure with volume down in most existing outlets reflecting the decline in club and pub trade.

According to Mr Hemans, some of the discounts in the fruit drinks market have become "silly," one major manufacturer is taking a "buy one, get one free" attitude. Yet he ardently defends his own move into bottled drinks. His argument is that his trucks can just as easily offload a couple of crates of bottles while delivering the draught containers.

Also, Canvermoor's financial exposure is fairly limited. It has bought the crates but all the drinks and bottles are supplied by a rival national chain with Canvermoor's labels. Should it wish to withdraw, even the crates would have a resale value.

Of the 30 per cent or so of the equity that will be placed by stockbrokers Margettes & Addenbrooke, East Newton a third of it will be one of the original partners (not involved in management) selling out. Virtually all the rest will be new money to fund the Luton development.

Final pricing is still being thrashed out, but the brokers undoubtedly be resting heavily of the potential for this year after the expansion of the last 12 months. It may be that the fully taxed historic p/e (although the company will have no corporation tax liability) could be pitched to the early teens.

Lloyds and Scottish re-groups

BY WILLIAM HALL, BANKING CORRESPONDENT

LLOYDS AND SCOTTISH which took over Bowmaker earlier this year to form one of Britain's three biggest finance houses, plans a "significant reduction" in its near-200 branch network.

The group announced yesterday that it had re-organised its UK instalment credit and leasing activities under the Lloyd's Bowmaker banner which will control three new divisions—retail finance, corporate finance and personal finance.

Mr George Duncan, the group's chairman, said yesterday that following the regrouping of the business, the next stage was to review the future of Lloyds Bowmaker's branch network which is considerably larger than that of any other UK finance house.

He said that there would be no redundancies but "the future of the group's branches would be reviewed in the light of the needs of the corporate and retail finance divisions.

Lloyds Bowmaker will incorporate Lloyds and Scottish Finance, Bowmaker, Hamilton Leasing, Medenta and RIGP. Scottish Discount and Cedar will also be part of the group, but will continue to trade under their present names.

The new retail finance division will be headquartered in Edinburgh and headed by Mr Gorden Rycroft of Lloyds and Scottish. The corporate finance division, headquartered in Bournemouth, will be directed by Mr Brian Davies, the former chief executive of Bowmaker, and will take in Hamilton Leasing and Medenta.

Mr Alan Glass, of Cedar Holdings, will run the personal finance division which will be based in London and centred on Cedar Holdings.

The group has made a number of new appointments. Mr John Little will be group director, operations, and Mr Stephan Maran will be group director, finance.

In addition to the newly appointed directors of the three new divisions, the following directors have also been appointed: Mr D. S. Fielden, branch operations, Mr C. J. Harrison, marketing, Mr T. R. Wightman, information and planning, Mr G. F. Bacon, related activities, Mr R. E. Macauley, personnel, Mr P. F. Hook, support services, and Mr G. Cruickshank, special studies.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Allied Irish Banks, Hunting Gibson, Microfilm Reprographics, Rush and Tompkins, Young Companies Investment Trust.

Finals: Bridport-Gundry, Lucas Industries, Murray Clydesdale Investment Trust.

FUTURE DATES

Interims—

Allied-Lyons	Nov 30
Amber Industrial	Nov 11
Black Arrow	Nov 19
British and Commonwealth Shipping	Nov 11
Caledonia Investments	Nov 11
Capital and Counties	Dec 1
Chamberlin and Hill	Nov 17
Cullen's Stores	Nov 10
Elliott (B.)	Nov 23
Feedback	Dec 14
Ferguson Industrial	Nov 15

Finals—

Atlanta, Baltimore and Chicago Regional Investment Trust	Nov 18
Brockhouse	Nov 25
C.R. (Holdings)	Nov 11

Fortnum & Mason midway loss up

After reporting heavier first half pre-tax losses of £264,000 against £123,000, the directors of Fortnum & Mason, the Piccadilly, London, department store, say the second half has always generated the major proportion of sales profit — and this year's results, more than ever, depend on this pattern.

There is evidence, at this very early stage, of an improvement in customer volume and sales performance.

Nevertheless, Christmas will once again prove to be a critical period and at this stage they say it is not possible to forecast the outcome for the year, although given the level of loss sustained in the first half, it is unlikely that the company would be able to match the trading performance of the previous year when pre-tax profits were up from £119,000 to £269,000.

Sales improved from £3.53m to £3.63m in the 28 weeks to August 14. There was a trading loss of £425,000.

The interim dividend is unchanged at 3.5p — last year's total was 23.22p net.

FT Share Information

The following securities have been added to the Share Information Service.

Duncan (Walter) & Goodricke (Section: Trusts, Finance, Land), Oceana Consolidated (Trusts, Finance, Land).

Woolworth ahead at £15m

PRE-TAX profits of F. W. Woolworth, the chain store group, excluding profits made on property disposals, were nearly 40 per cent up at £5.3m in the third quarter of 1982 compared with £3.8m in the same quarter last year. This has eliminated first half retailing losses of £5.2m.

Including profits made on property disposals, pre-tax figures for the nine months to October 31, 1982 rose from £3.42m to £15.05m. Sales during the nine months increased by 11.4 per cent from £665.4m to £741.6m.

Trading profit was higher at £20.49m (£19.55m), and the pre-tax figure was after depreciation of £11.37m compared with £10.1m and interest charges up to £11.23m compared with £9.85m. Rent income rose from £1.88m to £2.22m, and there was a surplus on property disposals, excluding sale and leasebacks, of £14.94m against £1.93m.

Tax for the nine-month period was up from £1.2m to £2.12m, leaving £12.93m against £2.2m. There was an extraordinary debit of £567,000 this time, but foreign currency gains provided £328,000 (nil). This resulted in a net profit of £12.69m.

The directors point out that the B and Q/Dodge City specialist DIY chain contributed £2.4m to the third quarter's pre-tax retailing profits compared with £1m in the same quarter last year.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Acrow	Nov 17	Interim nil
*Akroyd and Smithers	Nov 18	Final 10.0
*Allied Irish Bank	Nov 8	Interim 3.5
*Allied-Lyons	Nov 30	Interim 2.0
*Allnatt London Props	Nov 8	Interim 1.0
*Amersham Intl	Nov 15	Interim due
Anderson Strathclyde	Nov 25	Interim 1.1
*Assocd. British Foods	Nov 11	Interim 1.4
*Aust. NZ Bk.	Nov 15	Final 14 cents
*BPB Inds.	Nov 23	Interim 6.5
*Beecham	Nov 24	Interim 3.7
Bellway	Nov 10	Final 4.0
*Boots	Nov 25	Interim 2.875
*British and Com. Ship	Nov 11	Interim 3.0
*Brockhouse	Nov 25	Final 1.0
*Burnett and Hallamshire	Nov 25	Interim 6.5
Butterfield-Capper-Neill	Nov 8	Interim 2.1
Carless Capel	Nov 25	Interim 1.0
Carr (John) (Doncaster)	Nov 30	Final 1.15
*Chloride	Nov 12	Interim nil
*Chubb	Nov 10	Interim 1.947
Comet	Nov 25	Final 2.53
Common Bros.	Nov 12	Final nil
*Courtaulds	Nov 25	Interim 1.0
Davis (Godfrey)	Nov 19	Interim 1.5
*De La Rue	Nov 9	Interim 6.8
*Electrocomponents	Nov 8	Interim 0.85
*Elliott (B.)	Nov 23	Interim 2.0
English China Clays	Nov 26	Interim 2.3
*French Kier	Nov 25	Interim 1.1
GEI Intl.	Nov 17	Interim 1.76
*Great Portland Estates	Nov 9	Interim 1.0
*HAT	Nov 18	Interim 1.375
*Hambros	Nov 23	Interim 15.25
*Heath (C. E.)	Nov 23	Interim 3.6
*Hill Samuel	Nov 10	Interim 2.5
International Paint	Nov 26	Interim 2.0
Johnson Matthey	Nov 25	Interim 3.0
*Kwik Save	Nov 24	Final 3.4
*LWT	Nov 11	Final 5.983
*Land Securities	Nov 17	Interim 2.75
*Lucas Inds.	Nov 8	Final 6.4
*Metal Box	Nov 22	Interim 5.04
*National Bank Australia	Nov 11	Final 11 cents
RIT	Nov 9	Interim 3.5
RHM	Nov 24	Final 2.333
Rediffusion	Nov 27	Interim 1.25
*Redland	Nov 25	Interim 2.87
Rothmans Int.	Nov 25	Interim 1.13
*Sketchley	Nov 16	Interim 3.2
*Smith (W.H.)	Nov 17	Interim 0.3
Smiths Inds.	Nov 10	Final 8.8
Staveley Industries	Nov 12	Interim 4.8
*Tesco Stores	Nov 17	Interim 1.1
*Unilever	Nov 16	Interim 9.96
Utd. Gas Inds.	Nov 26	Interim 1.4
*Valor	Nov 17	Interim 0.849
Wedgwood	Nov 25	Interim 1.75
*Whitbread	Nov 8	Interim 2.25

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
‡‡	F.P.	—	14½	18½	Amal.TinMines Nig. 1p	14	—	—	—	—	—
‖‖	F.P.	—	8	6	✠BerkeleyH.H.Inv 5p	6	−½	—	—	—	—
90	F.P.	29/10	99	87	✠Breville Europe 10p	96		u1.9	8.2	7.3	9.1
80	F.P.	19/11	85	83	✠Ciro 10p	85	+5	3.72	1.9	6.6	11.1
$10	F.P.	15/10	20	15½	✠F.K.I. Elect. 10p	20	+2½	[illegible]	4.8	1.4	28.7
25	F.P.	—	40	27	✠FirstTalismanInv20	38	−2	b0.6	8.0	2.3	32.6
$150	F.P.	—	250	213	✠Fitch&Co. 10p	240		b4.2	1.9	8.5	9.0
—	F.P.	—	£27	£25¾	‖Homestake Mining $1	£25¾	−⅛	Q40c	—	0.9	—
173	F.P.	19/11	98	86	✠Hunterprint	98	+2	b3.15	3.5	4.2	8.8
155	F.P.	—	225	196	Intl. Sig. & Cont. $0.10	212	−4	b$4.84c	3.7	1.3	20.9
$20	F.P.	12/11	30	21	✠Kean&Scot Hlgs 10p	30		N1.0	—	4.8	—
52	F.P.	—	96	80	✠PineappleDanceSt's 10p	96		td1.5	—	2.2	23.7
—	F.P.	—	27	20	Rvr Plate & Gen. Wrrts	27		—	—	—	—
625	F.P.	—	865	395	S.T.C (New)	630	−5	Q18.0	1.9	4.1	17.3
$£355	F.P.	—	£376	£350	✠Technofan SA Fr100	£365	+5	uFr150	2.0	4.8	14.1
—	F.P.	—	25	22	✠Twinlock 10p	25xr		t0.8		4.7	10.6
$50	F.P.	—	87	83	‡Voyager Pet. (UK)	85		—	—	—	—
$84	F.P.	10/11	84	78	✠Wingate Prop. Inv.	81	+1	b1.5	1.6	8.7	14.2
100.84	F.P.	12/11	69	66	✠Woodchester Invs.	69		bQ3.18	4.1	4.7	5.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or −
97.504	£25	9/3	29½	24	BOC 12¼% Uns. Ln. 2012-17	28½	+¼
99.053	£23	17/2	26¼	24½	Barclays Bank 12 pcUns. Cap. Ln. 2010	25¾	+¼
99.431	£20	—	21⅞	19⅞	Birmingham 11½pc Red. 2012	21½	
97.91	£30	—	32	29¼	European Inv. Bk. 11% Ln. 2002	30⅝	
98.594	£25	8/1	30½	24½	Hydro Quebec 12¾% Ln. 2015	26½	
100	F.P.	—	106½	104¾	Islington Corp. 12.65% Red. 2007	103¾	+¼
100	F.P.	—	101⅛	99½	Do. Do. 11.9% Red. 2017	101	
$100	F.P.	—	100¼	98¼	Kirklees 11.8pc Red. 2031	99¾xd	
97.705	£25	18/2	33¾	33	MEPC 12% Fst. Mort. Deb. 2017	32	−½
$100.5	£25	18/2	28⅝	25¾	Manchester 11½% Red. 2007	25	−¼
100	£22	—	22¾	26¼	Mid Kent Water 12% Red. Deb. '90 20	22¼	
$100	F.P.	29/10	104½	100½	Mid Sussex Water 12½% Red. 87/80	104	+½
100	F.P.	—	101¼	100	Nationwide Bdg. Soc. 11⅛% (3/10/83)	101¼	
100	F.P.	—	100¼	100	Do. Do. 9⅞pc Bds. (31/10/85)	100¼	
97.75	£25	—	26½	23¾	Newcastle Upon Tyne 11¼% Red. 2017	23	+¼
98.623	F.P.	11/10	102½	100½	Scot. Mort. 8.14% Stepped Deb. 2020	102	
99.504	£25	31/6	130¼	65¾	Seagram Distillers 12⅝ p.c. Deb 2012	20½	
99.925	£28	11/2	128½	24½	Std Chart.12⅞ Sub Ord Uns Ln 2002-7	22¼	−¼
—	F.P.	—	98¼	92½	✠Twinlock 15% Uns. Ln.	93	+¾
98.173	£25	1/3	30¾	28½	Vaux 11¾% Deb. 2010	30	−¼

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price	+ or −
346	Nil	—	—	170pm	87pm	A. B. Electronic	120pm	−3
117½	F.P.	—	—	126½	111	Afex Corp. SA R1.50	118	
83	Nil	—	—	46pm	38pm	Amal. Distilled Products 10p	44pm	−2
320	Nil	—	—	97pm	85pm	Barratt Devs. 10p	97pm	+1
263	Nil	—	—	45pm	30pm	Bowthorpe 10p	40pm	
780	Nil	—	—	113pm	75pm	Burnett & Hallamshire	115pm	−2
100	F.P.	22/10	12/11	226	178	✠Cornell 5p	205	+21
£48½	Nil	—	—	£1¼pm	£1pm	Deutsche Bank DM50	£1pm	−½
63½	Nil	—	—	50½pm	50pm	East Daggafontein	50pm	−½
112	Nil	—	—	22pm	19pm	✠Edinburgh Secs.	19pm	−1
21	F.P.	11/10	19/11	35	29	Munton Bros. 10p	32	
7.75	F.P.	09/10	26/11	8½	7½	Raglan Prop. 1p	8½	
26½	Nil	—	—	7pm	3pm	✠SelecTV 10p	3pm	
23	F.P.	8/10	19/11	31	24	U.U. Textiles	29	

Renunciation date usually last day for dealing free of stamp duty. Fr French Francs. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. H Dividends and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Φ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under special rule.

Companies and Markets

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Further records for the dollar

The dollar touched record levels in the foreign exchange market last week after two days of very quiet trading on Monday and Tuesday. On the first two days several European centres, including Paris, were closed for religious holidays, and on Tuesday the U.S. went to the polls for the mid-term Congressional elections. Banks in New York and several other major cities were closed for the day, and although the International Monetary Market in Chicago showed some interest in the dollar the exchanges were generally very quiet until markets returned to normal on Wednesday. Even on that day Japan was closed for a public holiday, but other major centres were able to give an opinion of the election results.

Gains by the Democrats were generally seen as encouraging more liberal U.S. economic policies, but the result was not seen as a disaste for President Reagan and no sharp change of direction is expected. Hopes of an early cut in the Federal Reserve discount rate tended to evaporate as the week wore on, with the expected date for a reduction moving further into the distance, although optimism on this point could be revived at any time by signals from the Fed through intervention to add liquidity to the domestic banking system. The dollar rose to a record FFr 7.27 from FFr 7.2425 the previous Friday, against the French franc; and to an all-time peak of L1,476.25 from L1,467.50 against the lira. It finished at a six-year peak of DM 2.5790 from DM 2.5590 in terms of the D-mark, and a five-year high of SwFr 2.2240 from SwFr 2.2060 against the Swiss franc. After touching a 5½-year high of Y 277.35 on Thursday the dollar closed at Y276.30 on Friday against Y277.10.

Sterling was at its lowest level against the dollar since December 1976, falling to $1.6630 from $1.6770, and also lost ground to other major currencies, while the trade-weighted index weakened to 92.0 from 92.5. The pound fell to DM 4.29 from DM 4.2925; to FFr 12.09 from FFr 12.14; and to Y459.50 from Y464.50, but was unchanged at SwFr 3.70. The vote against strike action by the miners lent some support to sterling, but lower interest rates following the cut in bank base lending rates had a depressing influence.

FINANCIAL FUTURES

Prices firm

After a quiet start to the week, with trading subdued ahead of the U.S. mid-term elections and the large Treasury quarterly refunding programme—$10bn of the proposed $13bn in Treasury paper was auctioned on Wednesday and Thursday—Liffe market volume picked up to a healthier level.

Sentiment became very bullish from Tuesday onwards, encouraged by hopes that the Federal Reserve will cut its discount rate this week, a view not entirely shared by the foreign exchange market. Futures prices moved ahead of the corresponding fall in Eurodollar deposit rates, although not enough to open up arbitrage between the cash and futures markets. Prices moved up to record levels and the December Eurodollar rose 143 points on the week to 91.40.

LONDON

3-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.54	90.60	90.52	90.57
March	90.13	90.29	90.14	90.19
June	89.78	89.87	89.00	89.75
Sept	89.43	89.43	89.43	89.37
Dec	89.13	—	—	89.05

Volume 2,509 (2,618)
Previous day's open int. 2,146

3-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	91.40	91.50	91.40	91.48
March	91.54	91.69	91.53	91.65
June	91.39	91.70	91.40	91.90

Volume 1,531 (2,586)
Previous day's open int. —

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.6670	1.6695	1.6660	1.6700
March	1.6705	1.6705	1.6705	1.6725

Volume 262 (783)
Previous day's open int. 1,029

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	9.389	0.3898	0.3891	9.3896
March	9.3924	9.3924	0.3924	0.3929

Volume 37 (2,598)
Previous day's open int. 624

CHICAGO

U.S. TREASURY BONDS (CBT) 9% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	78.14	79.08	78.01	79.03
March	77.30	78.19	77.22	78.15
June	77.19	78.02	77.07	78.01
Sept	77.08	77.24	77.00	77.24
Dec	77.04	77.18	78.29	77.21
March	77.03	77.19	77.00	77.19
June	77.03	77.19	77.00	77.19
Sept	77.03	77.11	77.03	77.18
Dec	77.03	77.14	77.03	77.19
March	77.03	—	—	77.19
June	77.03	—	—	77.19

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.37	92.48	92.10	92.43
March	91.68	91.84	91.50	91.78
June	91.25	91.33	91.10	91.26
Sept	90.91	90.95	90.77	90.88
Dec	90.6	90.67	90.58	90.91
March	90.53	90.54	90.45	90.47
June	90.45	90.45	90.45	90.37

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	81.03	91.20	90.68	91.07
March	90.54	90.64	90.38	90.59
June	90.08	90.18	90.00	90.13
Sept	89.61	89.83	89.60	89.76

3-MTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.30	90.45	90.10	90.39
March	89.93	90.08	89.80	89.99
June	89.54	89.65	89.52	89.91
Sept	89.28	89.36	89.22	89.31

STERLING (IMM) $ per £

	Close	High	Low	Prev
Dec	6625	16685	16619	16670
March	6665	16730	16650	16719
June	6700	16675	16675	16760
Sept	—	—	—	—
Dec	—	—	—	—
March	—	—	—	—

GNMA (CBT) 9% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	70.02	70.15	69.23	70.13
March	69.21	70.02	69.14	70.00
June	69.14	69.25	89.10	69.25
Sept	69.08	69.23	69.09	69.21
Dec	89.06	69.18	69.05	69.18
March	69.01	69.13	69.00	69.12
June	68.31	89.17	68.31	69.19
Sept	68.30	—	—	69.09
Dec	68.29	—	—	69.07
March	68.29	—	—	59.07
June	68.29	—	—	69.06
Sept	—	—	—	—

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9704	49.5884	+1.37	+1.15	±1.9601
Danish Krone ...	8.23400	8.24788	+0.17	−9.05	±1.6430
German D-Mark	2.33379	2.35136	+0.75	+9.53	±1.0888
French Franc ...	9.81387	9.63761	+9.36	+9.14	±1.3940
Dutch Guilder ...	2.57971	2.55869	−9.81	−1.03	±1.5004
Irish Punt	0.691011	9.691487	+0.07	−9.15	±1.6691
Italian Lira	1350.27	1349.05	−0.09	−0.09	±4.1389

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	9 month	12 month
Dollar	1.6630	1.6636	1.6660	1.6705	1.6813
D-Mark	4.29	4.2776	4.2688	4.2495	4.2042
French Franc	12.09	12.1650	12.3900	12.6937	—
Swiss Franc	3.70	3.6806	3.6488	3.6117	3.5279
Japanese Yen	459.5	458.8	457.3	454.9	450.2

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 5	Oct 29		Nov. 5	Oct. 29
Bills on offer	£100m	£100m	Top accepted rate of discount	8.5434%	8.8643%
Total of applications	£389.830m	£335.78m	Average rate of discount	8.5089%	8.8315%
Total allocated	£100m	£100m	Average yield	8.99%	8.95%
Minimum accepted bid	£97.87	£97.78	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	40%	65%			

OTHER CURRENCIES

Nov. 5	£	$		£ Note Rates
Argentina Peso	65,971-66,911	39,550-39,600	Austria	29.00-30.39
Australia Dollar	1.7840-1.7860	1.0704-1.0710	Belgium	85.35-86.35
Brazil Cruzeiro	377-378	224.48-229.61	Denmark	15.00-15.15
Finland Markka	8.2202-9.9308	5.5439-5.5445	France	19.06-12.18
Greek Drachma	118.539-195.199	73.00-73.90	Germany	4.97¼-4.31¼
Hong Kong Dollar	11.112-11.152	9.68-6.70	Italy	2445-2475
Iran Rial	146.35*	89.39*	Japan	493-468
Kuwait Dinar (KD)	0.4880-0.4890	0.2934-0.2938	Netherlands	4.96¼-4.69¼
Luxembourg Fr.	82.80-83.19	51.99-51.60	Norway	19.10-19.22
Malaysia Dollar	3.893-3.940	2.3646-2.3670	Portugal	165-185
New Zealand Dlr.	8.3549-2.3990	1.4124-1.4144	Spain	194-207¼
Saudi Arab. Riyal	5.7240-5.7510	3.4400-3.4490	Sweden	12.45-12.57
Singapore Dollar	3.6795-3.9855	2.2120-2.2140	Switzerland	3.68½-3.78½
Sth. African Rand	1.0205-1.9859	1.1563-1.1574	United States	1.65-1.68
U.A.E. Dirham	9.11-9.11¼	3.6710-3.6740	Yugoslavia	116-134

*Selling rates.

CURRENCY MOVEMENTS

Nov. 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	92.0	−31.4
U.S. dollar	129.3	+14.8
Canadian dollar	92.3	−16.4
Austrian schilling	118.4	+98.5
Belgian franc	94.0	−2.5
Danish kroner	82.9	−12.8
Deutsche mark	129.8	+51.9
Swiss franc	143.9	+95.9
Guilder	118.2	+86.2
French franc	73.0	−20.8
Lira	58.6	−59.2
Yen	188.2	+20.0

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Nov. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.657058	0.548345
U.S. $	9½	1.08204	0.914145
Canadian $	11.20	*	1.11663
Austria Sch.	5¾	18.1794	19.5003
Belgian F	12	52.9480	45.5884
Danish Kr.	11	9.58491	8.94788
D mark	9	2.79305	2.35136
Guilder	9½	2.97371	2.55869
French F.	9½	7.71253	6.63761
Lira	18	n/a	1348.05
Yen	5½	294.387	259.399
Norwgn. Kr.	9	7.73484	6.65818
Spanish Pts.	—	126.533	108.069
Swedish Kr.	10	7.89999	6.84238
Swiss Fr.	5	2.36060	2.03004
Greek Dr'ch	20½	77.6511	66.8338

*C$/SDR rate for Nov 3: 1.30085.

THE POUND SPOT AND FORWARD

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.6600-1.6695	1.6620-1.6640	0.03-0.08c dis	−0.39	0.25-0.35dis	−0.72
Canada	2.0310-2.0390	2.0330-2.0350	0.38-0.48c dis	−2.54	1.12-1.22dis	−2.30
Nethlnd.	4.65-4.68½	4.66-4.67	1⅛-⅞c pm	2.89	3⅛-2⅞ pm	2.68
Belgium	82.80-83.35	82.90-83.10	20-30c dis	−3.61	80-90 dis	−4.19
Denmark	15.00-15.08	15.04-15.06	9¾-11¾ore dis	−9.32	30⅝-32⅝dis	−9.42
Ireland	1.2560-1.2630	1.2600-1.2620	0.37-0.55p dis	−4.38	1.22-1.42dis	−4.19
W. Ger.	4.28-4.31	4.28½-4.29½	1-½pf pm	2.10	2⅛-1⅞ pm	1.98
Portugal	151.50-153.00	151.75-152.50	165-480c dis	−26.44	480-1245dis	−22.68
Spain	196.50-197.50	196.60-196.80	400-485c dis	−27.29	1085-1160d	−22.82
Italy	2452-2468	2454-2456	30-33 lire dis	−15.40	78-83 dis	−13.20
Norway	12.09-12.17	12.10-12.12	9⅛-7¾ore dis	−9.87	19⅝-20⅝dis	−6.71
France	12.97-12.12½	12.08-12.19	6½-8½c dis	−7.44	28½-31½dis	−9.93
Sweden	12.43-12.52	12.44-12.46	4¾-5½ore dis	−4.94	13½-14½dis	−4.48
Japan	457-465	459-460	1⅛-¾y pm	2.45	2⅛-2 pm	1.96
Austria	30.00-30.20	30.03-30.08	6⅞-3⅞gro pm	2.12	14½-9¼ pm	1.58
Switz.	2.68½-3.71½	3.69½-3.70½	2⅛-1⅞c pm	8.49	5⅞-4⅞ pm	9.54

Belgian rate is for convertible francs. Financial franc 85.65-85.80. Six-month forward dollar 0.70-0.80c dis, 12-month 1.75-1.90c dis.

THE DOLLAR SPOT AND FORWARD

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6600-1.6695	1.6620-1.6640	0.03-0.08c dis	−0.39	0.25-0.35dis	−0.72
Ireland†	1.3212-1.3225	1.3212-1.3222	0.43-0.33c pm	3.45	1.15-1.00 pm	3.25
Canada	1.2205-1.2215	1.2205-1.2216	0.20-0.23c dis	−2.11	0.48-0.51dis	−1.62
Nethlnd.	2.7985-2.8020	2.7985-2.8000	0.76-0.66c pm	3.09	2.30-2.22 pm	2.23
Belgium	49.84-49.91	49.88-49.90	13-15c dis	−3.36	39-43 dis	−3.28
Denmark	9.0265-9.0525	9.0425-9.0525	5½-6½ore dis	−7.96	16¾-17¼dis	−7.64
W. Ger.	2.5690-2.5819	2.5785-2.5795	0.55-0.50pf pm	2.44	1.73-1.68 pm	2.72
Portugal	91.25-91.65	91.35-91.65	90-265c dis	−23.28	230-695dis	−20.22
Spain	118.26-118.33	118.28-118.33	250-300c dis	−27.89	650-700dis	−22.83
Italy	1,474-1,478½	1,475½-1,476½	18-19 lire dis	−15.04	46-48 dis	−12.74
Norway	7.2745-7.2840	7.2790-7.2840	3.30-3.60ore dis	−5.85	10.15-10.65d	−5.71
France	7.2550-7.2750	7.2650-7.2750	3¼-4½c dis	−9.81	15½-16½dis	−9.80
Sweden	7.4810-7.4920	7.4810-7.4860	2.70-3.10ore dis	−4.65	9.90-7.30dis	−2.79
Japan	275.00-277.40	276.25-276.35	0.68-0.60y pm	2.78	1.92-1.82 pm	2.77
Austria	18.04-18.05½	18.04-18.04½	4-3gro pm	2.33	11½-9 pm	2.27
Switz.	2.2140-2.2260	2.2235-2.2245	1.24-1.17c pm	9.50	3.46-3.39 pm	9.16

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.50-51.60.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Nov. 5	change		Nov. 5	change
LONDON			**NEW YORK**		
Base rates	9	−½	Prime rates	11½-12	Unch'd
7 day interbank	8¾-9½	−½	Federal funds	8½-9½	Unch'd
3 mth interbank	9-9⅛	−¾	3 mth Treasury Bills	7.73	−0.13
Treasury Bill Tender	8.5089	−0.3229	6 Mth. Treasury Bills	8.19	−0.17
Band 1 Bills	9⅛	−½	3 Mth. C D	9.00	−0.15
Band 2 Bills	9	−½	**FRANKFURT**		
Band 3 Bills	8⅞	−½	Lombard	7.00	Unch'd
3 Mth. Treasury Bills	8⅝	−⅝	One Mth. Interbank	7.075	−0.075
1 Mth. Bank Bills	9⅛	−⅝	Three month	7.875	−0.06
3 Mth. Bank Bills	8⅝	−⅝	**PARIS**		
TOKYO			Intervention Rate	13	−¾
One month Bills	7.09375	Unch'd	1 Mth. Interbank	13⅛	−⅛
Three month Bills	7.21876	Unch'd	Three month	12⅞	−⅛
BRUSSELS			**MILAN**		
One month	12⅝	Unch'd	One month	19½	+¼
Three month	12¾	Unch'd	Three month	19⅛	+¼
AMSTERDAM			**DUBLIN**		
One month	8⅛	−⅛	One month	13⅛	−⅛
Three month	6⅞	−⅛	Three month	12⅛	−¾

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 9⅝.

EXCHANGE CROSS RATES

Nov. 5	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.663	4.290	459.5	18.09	3.700	4.665	2455.	2.034	83.00
U.S. Dollar	0.601	1.	2.580	276.3	7.270	2.225	2.805	1476.	1.223	49.91
Deutschemark	0.233	0.388	1.	107.1	2.818	0.862	1.087	572.3	0.474	19.35
Japanese Yen 1,000	2.176	3.619	9.336	1000.	26.31	8.052	10.15	5349.	4.427	180.6
French Franc 10	0.827	1.376	3.548	380.1	10.	3.060	3.858	2031.	1.682	68.65
Swiss Franc	0.270	0.449	1.159	124.9	3.268	1.	1.261	663.5	0.550	22.43
Dutch Guilder	0.214	0.356	0.920	98.50	2.592	0.793	1.	526.3	0.436	17.79
Italian Lira 1,000	0.407	0.677	1.747	187.2	4.925	1.507	1.900	1000.	0.829	33.81
Canadian Dollar	0.492	0.818	2.109	225.9	5.944	1.819	2.294	1207.	1.	40.81
Belgian Franc 100	1.205	2.004	5.168	553.6	14.57	4.458	5.620	2958.	2.451	100.

MONEY MARKETS

A new lease for Liffe

BY COLIN MILLHAM

A whole new range of trading possibilities opened up last week, with the start of the three-month sterling interest rate contract on the London International Financial Futures Exchange. Instead of just being able to trade the three-month Eurodollar, with arbitrage opportunities almost entirely confined to the December-March spread, dealers are now able to take positions between the different contracts.

Partly as a result of this, and also because the December settlement date is only about a month away, the volume of trading in the March contract has increased significantly. March Eurodollar open interest also rose very sharply around the middle of the week, comfortably overtaking the figure for December, leading to suggestions that certain traders were taking arbitrage opportunities on the December-March price spread.

But present thoughts must centre on the significant difference between futures prices for Eurodollars and sterling deposits. This is a reflection of the different yield curves in the cash markets. The sterling curve falls up to four months, and is then flat up to 12 months, indicating that London interest rates are likely to decline at least until about March, when all sorts of uncertainties enter into the calculation, including the possibility of a British general election.

On the other hand Eurodollars are on a steadily rising yield curve, right up to 12 months. There are certain differences between the two, including the fact that one is an offshore market, while the other enjoys lender of last resort facilities with the Bank of England, but the fact remains that British and U.S. interest rates will probably fall over the next four months.

The yield curves mean that sterling deposit futures prices increase steadily as the period increases, but Eurodollar prices do the opposite, with near December the dearest contract. If conventional thinking is correct, and one school suggests that U.S. rates will fall more quickly than rates in London, the March Eurodollar price could be very attractive at the moment.

LONDON MONEY RATES

Nov. 5 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-10	9¼	—	—	6½-8⅝	6-9¼	—	—	—
2 days notice	—	—	8⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛-9½	9⅛	—	—	—	9-8⅞	—	—	—
One month	9⅛-9⅛	9¾-8⅞	8¾	10⅛-9¾	9⅝	8½	9	9⅛	9⅛	9⅝
Two months	9⅛-9⅛	9⅛-9⅞	9⅛	9¾-9⅝	8¾	8⅝	8⅞-8¾	8⅞	8⅞	9⅛
Three months	9⅛-8⅞	9-9⅛	8	8½-8⅞	8⅞	9⅛	8-8⅞	8⅝	8⅝	9¼
Six months	8¾-8⅝	8⅞-9	9	9⅛-8¾	9⅛	9⅜	—	—	8¼	8⅞
Nine months	8¾-8⅝	8⅞-8	—	9¼-8⅞	9⅛	—	—	—	—	—
One year	8¾-8⅝	8⅞-9	8⅞	9-8¾	8⅞	—	—	—	—	—
Two years	—	—	9¾	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance, Scheme IV Average Rate for interest period October 6 to November 2 1982 (inclusive): 9.753 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 10 per cent; four years 10⅛ per cent; five years 10⅛ per cent. ♦Bank bill rates in table are buying rates for prime papers. Buying rates for four-month bank bills 8²¹⁄₃₂ per cent; four-month trade bills 9⁵⁄₃₂ per cent.

Approximate selling rate for one-month Treasury bills 9²⁷⁄₃₂ per cent; two-months 8¾ per cent; and three-months 8½ per cent. Approximate selling rate for one-month bank bills 9-9⅛₂ per cent; two-months 8²¹⁄₃₂-8¾ per cent and three-months 8⅝ per cent; one-month trade bills 9⅜ per cent; two-months 9⅛ per cent; three-months 9 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from November 1 1982. London and Scottish Clearing Bank Rates for lending 9 per cent. London Clearing Deposit Rates for sums at seven days' notice 5½ per cent.

Treasury Bills: Average tender rates of discount 8.5089 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one-month 9½ per cent; one-three-months 9⅛ per cent; three-12-months 9 per cent. Under £100,000 8¾ per cent from November 5. Deposits held under Series 1-5 9 per cent. The rate for all deposits withdrawn for cash 7½ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES
(Market closing rates)

Nov. 5	Short term	7 days notice	Month	Three Months	Six months	One Year
Sterling	9¼-8⅞	9⅛-9⅜	9¼-9⅝	9-9¼	8⅞-9⅛	9⅛-9⅞ / 10-10¼
U.S. Dollar	9⅛-9½	9⅛-9⅜	9⅜-9⅝	9⅛-8⅞	9⅛-9⅞	11¼-11½
Can. Dollar	9½-10½	11-12	11⅜-11⅝	11⅜-11⅝	11⅛-11⅛	6½-6⅝
D. Guilder	6⅞-6⅞	6½-6⅞	6⅛-6⅜	6¼-6⅜	6⅜-6⅛	4⅛-4⅛
S. Franc	2-2¼	2½-2⅝	9⅛-2⅛	3⅛-3⅛	3⅛-4⅛	6⅞-7
Deutschm'rk	6⅞-7⅛	7-7⅛	6⅞-7⅛	6⅞-7⅛	6⅛-6⅛	18½-10
Fr'nch Franc	13-13½	14-14½	16-16½	18⅜-18⅞	18½-10⅝	20⅛-21⅛
Italian Lira	17-24	24½-27	24-25⅜	22⅛-22⅛	21⅛-21¾	
Belg. Franc						
Conv.	13-14	12¾-13⅛	12¾-13⅝	12¼-13¼	18½-13½	19¼-13
Fin.	12¼-12⅞	12½-12¾	12½-12⅞	18⅝-12⅞	12⅝-12⅞	12⅝-12⅞
Yen	6⅛-6⅝	6½-6⅝	6⅛-6⅞	6⅞-7⅛	6⅛-6⅝	6⅞-7
D. Krone	18¼-19½	18½-19¾	20¼-21½	20½-21	18¾-20¼	17½-18⅝
Asia $ (Sing.)	9⅛-9⅞	9⅝-9¾	9⅛-9⅞	9⅜-9⅞	9⅛-9⅛	10⅛-10⅛

FT LONDON INTERBANK FIXING
(11.00 a.m. NOVEMBER 5)

3 months U.S. dollars		6 months U.S. dollars	
bid 9 3/4	offer 9 7/8	bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11½-12
Fed funds (lunch-time)	9¼-9½
Treasury bills (13-week)	7.73
Treasury bills (26-week)	8.19

GERMANY

Lombard	7.0
Overnight rate	7.05
One month	7.075
Three months	7.275
Six months	7.225

FRANCE

Intervention rate	13.0
Overnight rate	13.125
One month	13.0625
Three months	12.9375
Six months	12.5625

JAPAN

Discount rate	5.5
Call (unconditional)	6.84375
Bill discount (3-month)	7.21875

SWITZERLAND

Discount rate	5.0
Overnight rate	1¾-2¼
One month	2⅝-2⅞
Three months	3⅞-3⅞

NETHERLANDS

Discount rate	8
Overnight rate	6¾-6⅞
One month	6½-6⅝
Three months	6½-6⅞
Six months	9½-6⅝

$ CERTIFICATES OF DEPOSIT

One month	9.85-9.05
Three months	9.05-9.15
Six months	9.25-9.35
One year	9.60-9.90

LONG TERM EURO $

Two years	11¼-11½
Three years	11⅞-12⅛
Four years	12⅛-12⅜
Five years	12⅜-12⅝

SDR LINKED DEPOSITS

One month	9¼-9⅝
Three months	9⁹⁄₁₆-9¹³⁄₁₆
Six months	9¼-9⅝
One year	9⅝-10

ECU LINKED DEPOSITS

One month	10⅞-11⅛
Three months	11⁹⁄₁₆-11¹³⁄₁₆
Six months	11⁵⁄₁₆-11⁷⁄₁₆
One year	10⅞-11⅛

APPOINTMENTS

New print chief at HMSO

Mr George Macaulay, director-general of printing at HMSO, will shortly retire. His successor as the management group member of HMSO responsible for the print procurement, production and technical service divisions will be *Mr Ken Allen*, director of production in the department. The new director-general joined HMSO in 1950 from the printing industry in Bristol, and was the director of technical services before taking over responsibility for the HMSO Printing Presses in 1976, to which has currently been added the reprographic units of HMSO.

★

Mr D. M. Gransby, who joined the ASSOCIATED DAIRIES GROUP in June, 1980 as development director designate, has been appointed a director of the company and becomes development director in succession to **Mr J. D. Ridgway**. Mr Ridgway will remain a member of the Associated Dairies Group board in a non-executive capacity until his normal retirement date.

★

Mr David Nicholson has been appointed director, home affairs, of the ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE, in succession to **Mr Joseph Egerton**.

★

J. D. BEARDMORE AND CO., a Thomas Tilling Group company, has appointed **Mr Paul Quinn** as managing director.

★

Mr Tony Barrett has been appointed a director of BARCLAYS BANK. He is senior

Mr Tony Barrett, who becomes a director of Barclays Bank

local director of the bank's Luton district, and is also a director of Barclays Bank UK.

★

Elected directors of EMPLOYMENT CONDITIONS ABROAD are **Mr D. F. Wheatley**, sponsored by Shell International Petroleum and **Mr H. P. G. Hinde**, sponsored by Beecham Group.

★

ARBUTHNOT FACTORS has appointed **Mr K. Dean** as managing director, domestic factoring, and deputy chairman. **Mr P. T. Black** is appointed managing director, international factoring. Both were previously directors. Appointed to the board is *Mr M. N. Wright*, formerly client relations manager. **Mr B. F. Jenkins** who was chairman and managing director continues as chairman.

★

Mr Martin Smart has been appointed a director of EVERETT'S.

★

Mr Philip Parker has been appointed managing director of DELTAK.

★

Mr M. Rutherford has been appointed managing director and **Mr D. Barlow** purchasing director of BMA SERVICES. The company is jointly owned by the British Medical Association and Jardine Glanvill (UK) and has been set up to provide insurance and financial services to BMA members and associate members.

★

Mr John McBride has been appointed a director of AGB RESEARCH.

★

Mr E. W. S. Ashton, director engineering group, Coventry, and **Dr B. C. Lindley**, director technology division, have been appointed to the board of DUNLOP, the group's European operating company.

★

The WILLIAMS LEA GROUP has appointed **Mr Robert J. Hodgson** as managing director of Williams Lea and Co. Mr Hodgson was managing director of Burrup Mathieson and Co.

★

Following the acquisition of Dunbar Group by Hambro Life Assurance, **Mr Mark Weinberg** and **Mr Syd Lipworth** have been appointed to the boards of DUNBAR GROUP and DUNBAR AND CO.

★

BELL AND HYMAN has appointed **Mr Patric Duffy**, company secretary and chief accountant, as a director.

★

Mr Ian C. Gunn, director of investments, the Canada Life Assurance Company, has been appointed a director of GREENCOAT PROPERTIES.

★

Mr Rudolph Agnew, group chief executive and chairman-elect of Consolidated Gold Fields, has been appointed chairman of the board of AMCON GROUP INC. New York. **Mr David Lloyd-Jacob**, chairman and chief executive of Amcon, has resigned his executive appointment and directorship. He will continue to be available to the Gold Fields Group as a consultant. Mr Lloyd-Jacob has also resigned from the board of Consolidated Gold Fields and from other group appointments. **Mr Humphrey Wood**, a managing director of Consolidated Gold Fields takes over as chief executive officer of Amcon, but will retain his executive responsibilities for other Gold Fields operations. Amcon is the North American subsidiary of Consolidated Gold Fields with interests in precious metals mining and in exploration; the manufacturer of energy exploration equipment and the fabrication, production and distribution of steel and scrap metals.

★

Mr T. H. "Tom" Jenkins, former general secretary of the Transport Salaried Staffs' Association, has joined BRITISH RAIL's Midland and North Western Regional Board.

★

Mr Eric Maddison has been appointed to the board of WELWYN ELECTRONICS — a Royal Worcester company—as marketing director. Previously managing director of Allen-Bradley Electronics, he will be responsible for the marketing policies of Welwyn Electronics, including Welwyn Electric, Colvern, Resolute Electronics and Pelco Electronics, as well as Welwyn subsidiaries in France, Germany and Italy, and the company's three strain measurement and stress engineering companies.

★

Mr R. E. Thomas, director of corporate strategy programmes at Ashridge Management College, has been appointed chairman of GMWCOMPUTERS.

★

Sir Timothy Kitson has been appointed deputy chairman of PROVIDENT FINANCIAL GROUP.

★

Mr F. A. Davies, retired deputy general manager of Eagle Star Insurance Company and **Mr Aharon Sacharov**, chairman of Sahar Insurance Company of Israel, have been appointed directors of FIBI FINANCIAL TRUST, UK banking subsidiary of The First International Bank of Israel.

LADBROKE INDEX

622-627 (−3)

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ferry Pickering, Allen House, Newarke Street, Leicester, 11.45
Gripperrods Hldgs, Blatchford Road, Horsham, Sussex, 11.30
Mucklow (A. and J.), Chamber of Commerce, 75, Harborne Road, Birmingham, 3.00
Murray Glendevon Inv. Tst., 163, Hope Street, Glasgow, 10.30
Precious Metals Tst., Garrard House 31, Gresham Street, E.C., 3.00

BOARD MEETINGS—
Finals:
Bridport-Gundry
Lucas Inds
Murray Clydesdale Inv Tst
Interims:
Allied Irish Bks
Hunting Gibson
Microfilm Reprographics
Rush and Tompkins
Young Co's Inv Tst

DIVIDEND & INTEREST PAYMENTS—
A.P.V. Hldgs. 2.6p
Bancomer SA Sub Fltg Rate Notes 1986-90 $395.57
Bank of Scotland 10.5p
Bowater Corpn. 4.25p
British Vita 2.?p
Brixton Estate 1.7p
Burroughs Corpn. 65cts
Kansallis-Osake-Pankki Fltg Rate Cap Notes 1992 $791.?
Nordic Intl. Finance BV Gtd Fltg Rate Notes 1991 $393.98
North British Can. Inv. 1.75p
Nottingham Corpn. 3pc (Irrd) Gas Anns 1½pc
Precious Metals Trust 0.5p
Second City Properties 1.5981p
Tioxide Group 11½pcLn 1991-96 5¾pc
Transport Development Group 1.45p
Watmoughs 1.7p

TOMORROW

COMPANY MEETINGS—
Adwest Group, Intercontinental Hotel, Hamilton Place, W., 12.00
Staffordshire Potteries, North Stafford Hotel, Station Road, Stoke-on-Trent, 12.30

BOARD MEETINGS—
Finals:
Arenson
Hartwells
Scottish Natl Tst
Smith Inds
Yarrow
Interims:
Allnatt London Props
Ambrose Inv Tst
Anglo American Coal Cpn
De La Rue
Electrocomponents
Futura
Grt Portland Ests
TR Property Inv Tst
Whitbread

DIVIDEND & INTEREST PAYMENTS—
British Empire Sec. and General Tst. 0.68p
Bunzl 4.5p
Morrison (Wm.) Supermarkets 0.45p
Southwark Corp. 6¾pcRed 1983-85 3⅜pc

WEDNESDAY NOVEMBER 10

COMPANY MEETINGS—
Cantors, 164-170, Queens Road, Sheffield, 12.30
Scholes (George H.), Wyley Works, Wythenshawe, Manchester, 12.00

BOARD MEETINGS—
Finals:
Jessups
Scottish Cities Inv Tst
Interims:
Chubb
Cullen's Stores
Elswick-Hopper
External Inv Tst
Hill Samuel
Secombe Marshall and Campion
Slingsby (H. C.)
Transatlantic and Gen Invs

DIVIDEND & INTEREST PAYMENTS—
American Express 55cts
Bridon 1.2p
British Aerospace 3.25p
Guest Keen and Nettlefolds 4p
Honda Motor Yen8
Huntleigh Group 0.8p
Marsh and McLennan 55cts
Merrill Lynch Overseas Capital NV Gtd Fltg Rate Notes 1987 $165.31
Midland Inds. 1.1p
Murray Glendevon Inv. Tst 2.10p
Nichols (J. N.) (Vimto) 5.5p
Scholes (George H.) 14p
Staffordshire Potteries 0.01p

THURSDAY NOVEMBER 11

COMPANY MEETINGS—
H.T.V. Group, Television Centre, Cardiff, 12.30
Link House Publications, Royal Bath Hotel, Bath Road, Bournemouth, 12.00

BOARD MEETINGS—
Finals:
GR Hldgs
LWT
Morland
Natl Bk of Australia
Interims:
Amber Ind
Assoc British Foods
Beales (John)
British and Commonwealth Shipping
Caledonia Invs
Foster (J.)
King and Shaxson
Nthrn Goldsmiths
Oil and Assoc Inv Tst
Warnford Invs

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Tst. 4pcRedDeb 1979-84 2pc
Alliance Tst. 3½pcRedDb 1975-85 1¾pc
American Tst. 6¼pcDb 1982-87 3⅛pc
Biddle Hldgs. 2.4p
British Petroleum 6.25p
Cantors 0.1p
Cantors A NV 0.1p
Dundee Corpn. Police 3½pcDb 1¾pc
Dundee Corpn. Water 3½pcDb 1¾pc
Dundee Corpn. Gas 3½pcDb 1¾pc
Edinburgh American Assets Tst. 5pcRed Db (1955 or after) 3½pc
Finlay Packaging 0.5p
Fletcher Challenge 0.75cts
Forth Port Authority 3½pc Funded Debt 1¾pc
Forth Ports Authority 3½pc Funded Debt 1¾pc
Glasgow Corpn. 3½pc Irrd 1¾pc
Glasgow Corpn. 9¼pcRed 1980-82 4⅝pc
Glasgow Corpn. Gas 6¾pc Ann (Perp) 3⅜pc
Glasgow Corpn. Gas 9pc Ann (Perp) 4½pc
Glasgow Corpn. Waterworks Funded Debt 4pc 2pc
Glasgow Corpn. Waterworks Funded Debt 3½pc 1¾pc
Grant (James) (East) 8½pc1stMtgDb 1981-84 1⅛pc
Hamlyn Angus Milling 5pcDb 1957-97 2½pc
Investors Capital Tst. 4pcDbRed 2pc
Park Place Invs. 3.25p
Rustenburg Platinum 22.5cts
Sandhurst Marketing 0.64p
Scottish Eastern Inv. Tst. 4pcDb (Red) 2pc
Scottish Eastern Inv. Tst 4pcPerpDb 2pc
Scottish Mortgage and Tst. 5pcRdDb 1980-85 2½pc
Second Alliance Tst. 3½pcDb 1975-85 1¾pc
Second Alliance Tst. 4½pcDb 1986 2¼pc
Second Alliance Tst. 5½pcDb 1980-85 2¾pc
Securities Trust of Scotland 7pcDb 1988-93 3½pc
Securities Trust of Scotland 3pcRedDb 1967-82 1½pc
Sommerville (Wm.) 8pcPf 2.1p
Tarmac 3.2p
Uniroyal 4½pcRedDb 2¼pc
United Wire 5pcPf 1.75p

FRIDAY NOVEMBER 12

COMPANY MEETINGS—
Abwood Machine Tools, Founders Court Lothbury, E.C., 12.00
Chambers and Fargus, 189-197, Wincolmlee, Hull, 12.00
Dixon (David), Dudley House, Upper Albion Street, Leeds, 11.45

BOARD MEETINGS—
Finals:
Cook (William) (Sheffield)
Interims:
Aquascutum
De Vere Hotels and Rests
London and Lennox Inv Tst
Outwich Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corpn. Var Rate Bds 12/11/82 £6.9920
Air Call 1.85p
Anchor Chemical Group 1p
Arncliffe Hldgs. 1.12p
Ash and Lacy 8p
Barton Group 1p
Brooks Watson 0.75p
Chambers and Fargus 1.25p
Clay (Richard) 1p
Consolidated Plantations Berhad Sen7.5
Dixon (David) 3.98p
Electro-Protective Corpn. of America 8.5cts
English Association Group 2p
Fogarty 1.6p
H.T.V. Group 7p
Hall Engineering 3.41p
Jacob (W. and R.) 2p
Laporte Inds. 3.5p
Macdonald Martin Distilleries A 3p
Macdonald Martin Distilleries B 1.5p
Minty 2p
Morgan (J. P.) Intl. Finance Gtd Fltg Rate Notes 1997 $330.63
Royal Bank of Scotland Fltg Rate Cap Notes 1882 $74.4305
Travis and Arnold 1.4p
United Mizr Intnl. Inv. NV Gtd Fltg Rate Notes 1888 $733.31
Whatman Reeve Angel 3.2p
Willjay 1.155p
Wolstenholme Rink 2.5p

Cycle 'death trap' warning

CHRISTMAS could end tragically for some children this year because a number of bicycles given as presents will be potential death-traps, a cycle expert warned today.

"*Too many people* buy bicycles which have not been properly assembled and checked before being ridden on the road. And most of these bicycles arrive on the buyer's doorstep in a carton," said Mr *Peter Lumley*, editor of Bicycle Times.

"The warehouses which sold them expect the customer to check that brakes work, that wheels are properly aligned and that the main components do what they should.

"Injury, even death, can be caused by faulty assembly and poor checking procedures."

CONTRACTS

£5.4 work for Laing

JOHN LAING Development Services has completed the purchase of an office site in the heart of Edinburgh's New Town. The site in Albany Street is a former church, previously used as a theatrical warehouse by STV. Planning permission for demolition and the rebuilding of about 20,000 sq ft of accommodation and 12 car spaces on four floors and basement has been granted. Demolition is scheduled to commence during November to enable rebuilding to start early in 1983. The construction contract worth about £1m will be awarded to John Laing Construction, Scottish region.

Work on a £4.4m supermarket in Sheffield has just been started by the Yorkshire region of **JOHN LAING CONSTRUCTION.** The two-storey in situ concrete structure for J. Sainsbury is due for completion within 16 months. A ramp will connect the two decks of car parking and a retaining wall will surround the Archer Road development. A service yard, glazed pedestrian walkways, sub-station, drainage and external works are also included.

*

TAYLOR WOODROW CONSTRUCTION (NORTHERN) is to build an effluent treatment plant in Cheshire, and extensions to another in West Yorkshire. The North West Water Authority has placed the larger of the two latest contracts. It is worth £2.2m and entails construction of a sewage works in Widnes. Included in this project will be a screen and press house, two detritors, distribution channels, four primary settlement tanks, a pumping station, four sludge thickening tanks, a weighbridge, an administration building, roads and on-site pipelines and channels. It is scheduled for completion in August 1984. The other contract, worth £950,000, has been awarded by Yorkshire Water Authority for civil engineering works to extend the Clayton West sewage treatment plant, near Denby Dale, and is due to be finished in October 1984.

*

PRESS CONSTRUCTION has been awarded a £600,000 contract by the Scottish Development Agency for an industrial conversion project, for completion in nine months. The building division of the company's Renfrew-based Scottish region is to carry out phase two in the development of the SDA's Templeton Business Centre at Glasgow Green. This distinctive and unusual brick building—which is on the official preservation list—is being converted into small industrial units ranging in area from 250 to 5,000 sq ft.

*

RIPPIN STRUCTURES, Fife, has secured a further five contracts valued at just over £500,000. They include factories and steelwork for Mossmorran, the Turtle Beryl "B" project, Livingston Environmental Health Department and the Cumbernauld Centre phase 1 development.

INSURANCE

Industry attempts self-control

BY ERIC SHORT

THIS WEEK sees an important event in UK life assurance—an attempt by the industry to control its salesmen before the authorities step in.

The UK life assurance industry enjoys complete freedom for anyone to sell life assurance, irrespective of qualifications, experience or integrity.

This lack of control by the authorities surprises many people, particularly as the Government has tried to protect the consumer in many other fields, especially credit provision. The life assurance industry is not entirely happy with the situation either, though it would prefer self-control to having control imposed upon it by a Government body.

The previous Labour Government intended to regulate the whole insurance sales side—both life and non-life. It started by looking at the position of insurance brokers and followed this by issuing a Green Paper on control of all intermediaries. This envisaged that insurance would only be sold by either registered insurance brokers operating under a self-regulatory body with statutory backing, or by full-time employees of insurance companies also operating under some sort of control system.

The insurance brokers took the initiative and, with Government support, pushed through the Insurance Brokers Registration Act in 1977. The insurance broking sector is now regulated and no one can operate as a broker unless he fulfils the requirements of the Act.

The other Green Paper proposal for full-time employees never got off the ground. So there is still no regulation for full- or part-time insurance company employees. Anyone can still operate as an independent insurance intermediary without control, providing he does not call himself an insurance broker.

The Life Offices Association did produce a code of practice for insurance company salesmen, but there apears to be no way of disciplining offenders.

Individual life companies run their own training schemes which vary in quality from excellent to perfunctory. Some concentrate on good selling practices, others on sidestepping awkward questions.

This chaotic situation is unsatisfactory and somebody had to take the initiative before the Government deals with the problem. This has come from the Life Insurance Association, a body formed more than 10 years ago primarily to represent those selling life assurance, both company employees and independent.

The association has its own examination system and code of conduct. It has expelled members for breaking that code.

Now it wants a complete system of licensing for all life salesmen and has called on all other interested organisations to participate on its proposed licensing board.

The association proposes a scale of licences ranging from the straightforward to complex life and pensions plans. Salesmen would start with the first licence and progress upwards to a licence that would enable them to sell all products. No salesman would be able to sell products not covered by his licence.

This graded licensing system is quite common in many other countries, though it is controlled by the authorities.

The association intends that life companies would only employ, or give agencies to, people with a licence. It wants all insurance bodies to serve on the committee which grants licences.

The control system would also introduce some kind of standard for life company in-house training schemes, laying down syllabuses and minimum standards of training.

There are three major drawbacks to this proposal. One cannot envisage all life companies agreeing to employ only licensed salesmen or having a training scheme approved by an outside body. Secondly, it does not solve the central problem of sorting out remuneration for salesmen — a problem bedevilling the industry at present—and as yet no consumer bodies have been asked to participate.

But the association is right to take this initiative because there is no other way forward except Government intervention. The proposed committee is still exploring ways in which to operate a licensing system and it will be interesting to see how it develops.

The week's business in Parliament

TODAY

Commons: Debate on the Queen's Speech: Subject: The Welfare State.

Select Committee: Treasury and Civil Service—Subject: Civil Service Pay. Witnesses, Rt Hon Sir John Megaw and the Lord Lever of Manchester (Room 15, 4.45 pm).

TOMORROW

Commons: Debate on the Queen's Speech: Subject: Industry.

Lords: Debate on the Queen's Speech: Subject: Foreign affairs and defence.

Select Committees: Defence: Subject: The handling of Press and public information during the Falklands Islands conflict. Witnesses: The Editor, The Times (10.30 am); Ministry of Defence public relations staff (11.30 am) and the Chief Press Secretary, 10 Downing Street (4.00 pm) (Room 15, 10.30 am and 4.00 pm).

Procedure — Subject: Procedure (finance). Witnesses: Ministry of Defence officials (Room 8, 4.15 pm).

Environment—Subject: The problems of management and urban renewal. Witnesses: Merseyside Task Force (Room 16, 4.30 pm).

Foreign Affairs — Subject: Overseas Development Administration. Witnesses: Institute of Professional Civil Servants; OXFAM (Room 18, 5.30 pm).

WEDNESDAY

Commons: Final day of debate on Queen's Speech; Subject: Unemployment and the Economy.

Lords: Queen's Speech debate—third day—concentrating on economic and industrial affairs.

Select Committees: Scottish Affairs: Subject: Steel Industry in Scotland. Witnesses: Scottish Office and Scottish Development Agency (Room 5, 10.30 am). Home Affairs: Subject: Representation of the People Act, 1949. Witnesses: Home Office officials (Room 8, 11.00 am).

Foreign Affairs — Subject: Falklands Islands. Witnesses: Foreign and Commonwealth Office officials (Room 15, 11.30 am).

Defence—Subject: The handling of Press and public information during the Falklands Islands conflict. Witnesses: Rt Hon John Nott MP, Defence Secretary; Sir Frank Cooper, Permanent Under-Secretary, MoD (Room 15, 4.00 pm).

Public Accounts — Subject: Internal audit. Witness: Sir Anthony Rawlinson (Room 16, 4.00 pm).

Transport — Subject: Road Maintenance. Witnesses: Automobile Association and Royal Automobile Club (Room 17, 4.15 pm).

Treasury and Civil Service Sub-Committee. Subject: The structure of personal income taxation and income support. Witnesses: Board of Inland Revenue, (Room 20, 4.15 pm).

Employment — Subject: Employment creation. Witnesses: Co-operative Development Agency; British Steel (Industry) (Room 6, 4.30 pm).

THURSDAY

Commons: Debate on the Government's proposals for revision of the Immigration Rules (Command No. 8683).

Lords: Wages Councils (Northern Ireland) Order, motion for approval. Debate on the position of the homeless young, followed by a debate on the Report of the Minority Rights Group on events in Diego Garcia.

Select Committee: Agriculture—Subject: Organisation and financing of agricultural research and development. Witnesses: Ministry of Agriculture Fisheries and Food officials (Room 16, 11.00 am).

FRIDAY

Commons: Debate on developments in the European Communities, January to June 1982 (Command No. 8669).

Open University fees warning

DR JOHN HORLOCK, vice-chancellor of the Open University, warned at the weekend that fee levels were now on a "cliff edge" and any further substantial increase "would be a real threat to the university and its openness."

Tuition fees at Britain's largest university in terms of student numbers have leapt in two years from £67, for a full credit course, to £120—a 79 per cent increase.

The university is funded directly by government, which in effect, determines the fee. Last year, it received a grant of about £54m.

Rights plan by NFSEB

THE National Federation of Self Employed and Small Businesses has been told that its application to the European Human Rights Commission at Strasbourg is likely to be considered at the next session in December.

The NFSEB has complained to the Commission about what it regards as overpayment of National Insurance contributions.

BOND DRAWINGS

NOTICE OF REDEMPTION

EUROPEAN COAL AND STEEL COMMUNITY (E.C.S.C.)

U.S.$20,000,000 6½% 20 Year Bonds of 1966
Due 1st December, 1986

The Commission of the European Communities informs the Bondholders that a selection by lot for a principal amount of U.S.$1,162,000 have been made for redemption in the presence of a Notary Public on 21st October, 1982 by Banque Internationale à Luxembourg.

The serial numbers of the Bonds selected by lot are as follows:—

14281 14282	14286	14343 to 14349	14358 14359	14375 to 14384
14429 to 14435	14451 to 14463	14465 14466	14468 to 14481	14497 to 14502
14511 to 14513	14516 to 14518	14534 to 14582	14588 to 14590	14753 to 14756
14782 to 14826	14847 to 14856	14943 14944	14952	14954 to 14956
14966 to 14969	14978 to 15028	15122 15123	15130	15138 to 15141
15217 to 15221	15356 to 15365	15397 to 15402	15413 to 15421	15425 to 15502
15514 to 15534	15600 to 15603	15635 15647	15744 to 15774	15805 15806
15808 to 15812	15818 to 15837	15973 to 15977	16136 16137	17912 to 17915
17931 17932	17962 17963	17966 17967	17976 to 17979	17982 to 17984
17986 to 17988	17990 to 18006	18008	18011 to 18013	18016 18019
18035 to 18039	18050 to 18063	18068	18068 to 18075	18078 18079
18081 to 18085	18094 18118	18141 to 18149	18154	18183 to 18189
18173 18174	18178	18180 to 18182	18186 to 18190	18228 to 18274
18283 to 18286	18290 to 18292	18297 to 18299	18301 to 18304	18312 to 18340
18346	18364 to 18368	18375 18413	18414 18418	18417
18477 to 18479	18487 to 18489	18496 18497	18501 to 18505	18510 to 18517
18541 to 18560	18576 to 18625	18627 18628	18660 to 18682	18679 to 18681
18689 to 18698	18699 18700	18716 to 18718	18747 18748	18761 to 18764
18774 to 18778	18781 to 18801	18809 18818	18862 to 18864	18882 to 18886
18896 to 18908	18822 to 18928	18933 to 19042	19044 19045	19047 to 19081
19086 to 19142	19173 to 19288			

Principal amount of Bonds purchased: U.S.$188,000
Principal amount called for redemption: U.S.$1,350,000
Principal amount unamortised after 1st December, 1982 U.S.$5,150,000

The Bonds selected by lot will be reimbursed on or after 1st December, 1982 with the coupon due 1st December, 1983 and following attached in accordance with the terms of payment mentioned on the Bonds.

8th November, 1982

COMPANY NOTICES

INTERCOM

SOCIETE INTERCOMMUNALE BELGE DE GAZ ET D'ELECTRICITE

Société anonyme
place du Trone 1, Brussels, Belgium

NOTICE TO SHAREHOLDERS

At the extraordinary general meeting of the above company held on October 29th, 1982, it was decided to increase the authorised and issued share capital from BF31,966,065,750 to BF36,055,001,070 by the issue of 3,000,070 new shares of which,

a) 2,972,870 shares may be subscribed for by way of rights by existing shareholders in the proportion of one new share for every eight year old shares held at a subscription price of BF1,345 per new share;

b) 28,000 shares may be subscribed for, at the same price, by the Staff of the company.

The new shares will rank pari passu with the 25,783,010 existing shares, except that the new shares will only participate in profit sharing as from January 1st, 1982.

Application has been made to the Council of THE STOCK EXCHANGE for the 3,000,070 new shares now being issued to be admitted to the Official List. Dealings in the shares on THE STOCK EXCHANGE are expected to commence on January 4th, 1983.

Application forms for the shares now being issued may be obtained from:

— MIDLAND BANK LIMITED, International Division, P.O. Box 101, 60 Gracechurch Street, London EC3
— BANQUE DE PARIS ET DES PAYS-BAS S.A., 33, Throgmorton Street, London EC2
— BANQUE BELGE LIMITED, 4, Bishopsgate, London EC2
— BARING BROTHERS & CO LIMITED, 88 Leadenhall Street, London EC2
— HILL SAMUEL & CO LIMITED, 100 Wood Street, London EC2

Holders of share warrants to Bearer who wish to apply for their entitlement in the shares now being issued must lodge coupon No. 30 through an Authorised Depositary with any of the above-mentioned banks between 5th and 23rd November 1982 inclusive, accompanied by an application form duly completed.

The subscription price of BF1,345 is payable in full on application. In the case of a fractional entitlement, the fractions may be sold or complementary fractions purchased at the request of the shareholder. Entitlements in the shares now being issued may be dealt in as follows: nil paid by use of coupon No. 30, fully paid by lodgement and payment as above and a direction to the bank in question for the entitlement to be included in the public sale following which the proceeds net of all costs will be available to the shareholder at the same bank on re-presentation of the coupon.

All shares not taken up by shareholders will be subscribed by COMPAGNIE GENERALE D'ENTREPRISES ELECTRIQUES ET INDUSTRIELLES (ELECTROBEL) of Brussels.

Copies of the following documents are available for inspection at the MIDLAND BANK LIMITED at the above address up to and including 23rd November 1982:

1. Statutes and Regulations of the Company (in French).
2. Report and Accounts of the Company for the two years ended 31st December 1981.
3. The full prospectus relating to the issue (in French).

Copies of a shorter statement in English giving particulars with regard to the issue may be obtained from any of the above-mentioned banks.

NIPPON MEAT PACKERS, INC. (CDRs)

The undersigned announces that as from 15th November 1982 at Kas-Associatie N.V. in Amsterdam and at Kredietbank S.A. Luxembourgeoise in Luxembourg div. cp. no. 9 (accompanied by an "Affidavit") of the CDRs Nippon Meat Packers, Inc. will be payable with US$3.05 per CDR, repr. 100 shs. and with US$30.50 per CDR, repr. 1,000 shs (Div. per record-date 31.7.1982, gross Yen 10.— p. sh.) after deduction of 15% Japanese tax resp. Yen 150.— = $—.54 per CDR, repr. 100 shs. and Yen 1,500.— = $5.40 per CDR, repr. 1,000 shs.

Without an Affidavit 20% Japanese tax (= Yen 200.— = $—.72 per CDR, repr. 100 shs. and Yen 2,000.— = $7.20 per CDR, repr. 1,000 shs) will be deducted.

After 20.2.1983 the dividend will only be paid under deduction of 20% Jap. tax with resp. $2.87 per CDR, repr. 100 shs. and with $28.70 per CDR, repr. 1,000 shs, in accordance with the Japanese tax regulations.

Amsterdam, 1st November 1982
AMSTERDAM DEPOSITARY COMPANY N.V.

LINREAD LIMITED

NOTICE IS HEREBY GIVEN that the Share Transfer Books of the Company will be closed from Wednesday 17th November to Tuesday 7th December 1982, both dates inclusive, for the preparation of dividend warrants.

By Order of the Board.
K. J. MORRIS,
Company Secretary.

PUBLIC NOTICES

CITY OF EDINBURGH

Issued £1,400,000 Bills at 0%; maturing 4th February 1983. Total applications £9,200,000. Total Bills outstanding £6,400,000.

THE WEEK IN THE COURTS

Courts and the question of bias

IT NEVER seemed very sensibla that Mr Ronald Smith, having persuaded the Court of Appeal (by a majority) that the coroner for the eastern district of West Yorkshire was bound after all to conduct an inquest on the death in June 1980 at Jeddah, Saudi Arabia, of his daughter Helen Smith, should bave gone back to court to ask that the corooer, Mr Philip Gill be ordered to stand down in favour of a deputy coroner to conduct the inquest due to start next week. For the last three mouths Mr Gill has assiduously ensured that witnesses from all over the world should come to Leeds to give their evidence in a controversial case of violent death. But Mr Smith unwisely advanced a uumber of reasons why be thought Mr Gill would be *biased in favour* of the official view that Helen Smith felt to her death accidentally during a party held by a British couple at their home in Jeddah.

If Mr Justice Webster was able last Friday to conclude without mucb doubt that no reasooable man would suspect that Mr Gill would be biased, it did provide the judge with an opportunity of reviewing the law's attitude to the question of suspected bias. His judgment is a helpful guide to those who seek to challenge the propriety of a court sitting whenever there is a suspicion that justice may not be seen to be done. It is a problem cropping up with increasing frequency, so a clear statement of the law is welcome.*

On ooe matter the law is plain. The question is not whether in fact the judge was biased. Courts are not abla to inquire into that matter, but they can inquire into whether bias may operate. In the admioistration of any civilised system of justice, whether it is a recognised court of law or a body of persons acting in a similar capacity, public policy demands that, in order that there should be no whisper of suspicion that justice is not being administered impartially, nobody sitting in the judgment seat should be suspected of bias. But how far do the courts go in upbolding that principle?

No doubt all judges, like Caesar's wife, should be above suspicion. But it would be absurd if the courts insisted that only people who cannot be suspected of improper motives were qualified to discharge judicial functions. It cannot be that the law would give way to the suspicions of fools or other capricious or unreasonable people. Hence the law plumps for the test of the reasonable man. If the court *is* satisfied on the evidence before it that there was objectively uo reasonable likelihood of bias, but is nevertheless of the *opinion* that a reasonable man could well have *suspected* that the tribunal was biased, wbat theu? Should public interest demand that the court ought uot to sit in judgmeut, but that a palpably unbiased one should be substituted?

The judges over the years bave not been of one voice on this subtle, but important distinction. During the 1950s the test generally was a real likelihood of bias. The complainant had to show that there was a probability of bias to be inferred from the circumstances, but not upon the basis of the impressions that might reasonably be left on the minds of the party aggrieved or the public at large. More recently, bowever, the pendulum has swung towards a test of reasonable suspicion, founded on the apprehensions of a reasonable man who had taken reasonable steps to inform himself of the material facts. The reasonable suspicion test looks mainly to outward appearances, while the real likelihood test focuses on the court's own evalnation of the probabilities. In practice, either test will usually give the same answer. But occasionally the nnance of the broader test of the resonable man's view might tip the scales in favour of the judge declining to sit.

Those who are not legally *qualified may* be less capable of putting aside their prejudices. *Hence* one hears more frequently of complaints that lay *magistrates are biased* in fevour of the police than is the case *with the professional judge*. For the latter, the judicial process imposes a *framework of* relevant legal rules and the modes of thought for ascertaining *them*. A judge is trained to think dispassionately and to put aside any private feelings that might be engaged in the particular case. Yet some people do not accept that judges are unlike other mortals and tbink that they too have prejudices which come into play.

The fact is that the judicial wig and gown does change the men and women within them. On the whole judges are capable of laying aside their private and political views when discharging their judicial functions. *The fact that they, perhaps* uuiquely, are able to achieve this desirable state of affairs is due to a combination of factors. Legal training, professiooal standards and babits through a lifetime in the practice of tha law, self-discipline and that fortunate alchemy by whicb people are loyal to the obligations whicb society entrusts to them when appointing them to the Bench, all combine to *produce* that degree *of* judicial independence free from injudicial influences.

All those factors operate to suppress the influences of conscious prejudices and biases. But *it is true that reason* cannot control unconscious feelings. Judges are just as much the victims of their unconscious feelings as the rest of us. It is when judges have some ground for believing that such unconscious feelings may operate in the final judgment that may lead others, not unfairly, to believe that they are operating, thet judges should acknowledge the fact and stand down. The reasons for such a self-denying ordinance is that the administration of justice should reasonably appear to be disinterested as well as be so in fact.

When the inquest nn Helen Smith opens in Leeds next week it would be well for the purity of justice that Mr Gill asks himself whether there may be any nnconscious feelings that might tend to colour *his judgment. Mr Justice* Webster bas given him the green light to conduct the inquest. Mr Gill's personal public assurance that he believes be is not subconsciously biased would lay to rest any lingering suspicion that Mr Ronald Smith might, even unreasonably, harbour. Those who beg leave to doubt whether a coroner has the training and respect that is accorded *instinctively* to High Court judges should press the *Home* Secretary to *order* the *occasionally* difficult inquest to be conducted by one of Her Majesty's judges.

**R v. West Yorkshire Coroner, Ex p. Smith, Times Law Report, November 6, 1982.*

Justinian

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Abbey Unit Tst. Mngrs. (a)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2
01 638 0478/0479 or 01 588 2777

UK Specialist Funds

Reliance Unit Mgrs. Ltd.
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

Standard Life Trust Mgmt. Ltd.
3 George St., Edinburgh, EH2 2XZ 031 225 2552

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031 226 3271

Ridgefield Management Ltd.

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd. (z)
1-3 St Paul's Churchyard EC4P 4DX 01-248 9111

Property Fund	212.9	224.2	-0.4	—
Equity Fund	60.4	63.6	-0.3	—
Property Acc	261.3	275.1	-5.9	—
Equity Acc	59.8	63.0	-0.4	—
Selective Fund	164.5	173.2	-1.9	—
Money Fund	171.2	180.3		—
Convertible Fund	181.7	193.4		—
Prop Fd Ser 4	206.4	217.3	-3.9	—
Equity Ser 4	66.5	70.0	-0.4	—
Man Ser 0	224.8	236.7	-2.0	—
Money Ser d	155.2	163.4	....	—
Conv. Ser 4	155.3	163.5		—
Fixed Int Fd Ser 4	142.3	149.8	-1.5	—
American Ser 4	148.1	155.9		—
High Inc Ser 4	127.3	134.0	-0.9	—
Indexed Inv Series 4	105.6	111.0	-0.4	—
Pensions Property	314.3	330.9	-5.9	—
Pensions Equity	344.0	362.2	-1.7	—
Pensions Selective	167.0	175.8	-1.8	—
Pensions Managed	336.7	354.5	-2.9	—
Pensions Security	231.8	244.1		—
Pensions Fixed Int	138.0	146.2	-1.2	—
Pensions Indexed Inv	105.9	111.5	-0.4	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	356.0	374.7		—
Fixed Int Acc	231.5	243.7		0.2
Gtd Money Fd Ac.	160.2	168.6		—
Intl. Man. Fd Acm	157.3	165.6		—
Intl Fxd Int. Fd	124.1	130.6		—
Prop Fd. Acc.	157.8	166.0		—
M'ple Inv. Acc.	282.1	296.9		—
Equity Pen. Fd Acc	502.0	528.4		—
Fixed I Pen. Acc.	400.0	421.0		—
G'td Mon Pen Acc	225.6	237.4		—
Intl Mn PnFdAcc.	185.5	195.3		—
Prop Pen Acc.	209.1	220.2		—
M'ple Inv Pen. Acc	423.9	446.2		—

AMEV Life Assurance Ltd.

Crown Life—Continued

DBS Managed	120.6	126.9		—
Crown Bnt Inv A		227.90		—
Pens. Mixed Fd.	168.2	174.3		—
Pens. Mang'd Acc	125.2	131.7		—
Pens. Mang'd Inl	119.2	125.4		—
Pens. Equity Acc	117.9	119.8		—
Pens Equity Init.	108.1	113.7		—
Pens. Fxd Int Acc	130.7	137.5		—
Pens Fxd. Int Init	124.4	130.9		—
Pens Money Acc	111.4	119.3		—
Pens Money Init	107.6	113.2		—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N4DJ 488 2323

Growth Prop Nov. 1	105.2	116.0		—
Mngd Pens Oct 13	128.82	135.50		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2 01-588 1212

Eagle-Mid. Units	95.3	98.8	+0.7	5.15

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	218.3	229.7	-7.0	—
Higher Inc. Fund	145.9	153.5	-1.0	—
Property Fund	196.3	206.6		—
Fixed Interest Fund	175.2	184.4	-0.3	—
Index Linked Secs Fnd.	101.7	106.4	-0.1	—
Gtd. Deposit Fund	138.7	145.9		—
Nth. America Fund	144.8	152.4	+0.4	—
Far East Fund	84.7	89.1	+0.1	—
International Fund	117.0	123.1		—
Mixed Fund	195.4	206.2	-0.3	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	215.9	227.2		—
Ind. Pen. Property	148.7	156.5		—
Ind. Pen. Fixed Int.	169.5	178.4		—
Ind. Pen. Inde Lk. Scs.	108.3	113.9		—
Ind. Pen. Overseas	170.0	178.9		—
Ind. Pen. Cash	140.6	148.0		—
Ind. Pen. Balanced.	177.0	186.3		—
Ind. Pen. Dep. Admin.	141.2	148.6		—

Prices at October 15. Next settlement November 19.
Group Pension Funds—Prices Available On Request.

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
5Jul	5Ja	Exch. 8¼pc 1983	99½	1.6	8.76	0.90
21Aug	21F	Exch. 3pc 1983	98⅝	15.6	3.04	7.79
17S	17Mar	Treasury 12pc 1983‡‡	101⅛	11.8	11.87	8.71
18Ja	18Jul	Treasury 9¼pc '83	100⅝	11.6	9.19	8.23
22May	22N	Exch. 13½pc '83	104⅝xd	18.10	12.90	8.77
12Jun	12D	Exch. 10pc 1983	101¾xd	6.5	9.83	8.33
15Jul	15Ja	Funding 5½pc '82-84‡‡	98¼	8.6	5.60	7.02
20Aug	20F	Exch. 15¼pc 1984	103	10.7	10.94	0.65
22N	22May	Exchequer 14pc 1984	106⅞xd	22.9	13.10	9.15
19D	19Jun	Exch. 3pc 1984	94	13.5	3.19	6.99
26Mar	26S	Treasury 12pc 1984	104¼	20.8	15.46	9.17
22Aug	22F	Treasury 15pc 1985	111½	16.7	13.45	9.25
22S	22Mar	Exch. 12pc Cnv '85	111½	16.8	10.76	6.67
21N	21My	Treasury 3pc 1985	91¼xd	14.4	3.27	6.77
15Jan	15Jul	Treasury 11½pc 1985	104⅞	8.6	10.97	9.38
3 Sept		Treas 8¼pcCn 85 (£25pd)	25¼	—	8.71	8.52
22Mar	22N	Exch 12¼pc 1985	107xd	18.10	11.45	9.55
25 Aug	25F	Exch. 11¼pc '86	106	19.7	11.08	9.55
19N	19May	Treasury 3pc 1986	89xd	15.10	3.37	6.55
12D	12Jun	Treasury 12pc '86	107¼xd	6.5	11.19	9.59
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	99¼	3.6	0.52	0.57
14Ja	14Jn	Treas. 12¼pc '86 Cnv	114⅞	—	10.66	7.55
29Apr	29Oct	Exch. 14pc 1986	113½	22.9	12.33	9.81
22Jul	22Jan	Exch. 13¼pc 1987	111½	15.6	11.88	9.81
Oct 6	Apr 6	Exch. 10½pc 1987	103	—	10.19	9.63
1N	1May	Funding 6½pc '85-87‡‡	94½	9.8	6.88	7.99
14Ja	14Jul	Treasury 3pc 1987	84⅝	—	3.54	6.87
3 May	3N	Treas. 12pc 1987	108¼	27.9	11.07	9.83
		Five to Fifteen Years				
26Jul	26Ja	Treasury 7¼pc '85-88‡‡	96½	21.6	0.22	9.14
—		Exch 10½pc '88 (£60pd)	64⅞	—	10.34	10.12
1Ja	1Jul	Transport 3pc '78-88	80½	25.5	1.79	7.60
25Ap	25Oct	Treas. 9½pc '88 (£20pd)	21⅞	—	9.70	9.95

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1J	10	Aust. 6pc 1981-83	96½xd	29.10	6.19	9.01
—		Do 13½pc 2010	114¼	—	11.86	11.79
1Ja	1J	N.Z. 7½pc 1988-92	81¾	16	9.14	10.73
15O	15J	Do 7½pc '83-86	92¼	17.5	8.35	10.94
—		S. Rhod 2½pc Non-Ass.	167	—	—	—
		Do 3½pc 80-85 Assd	78	10.8	4.52	15.20
7F	7A	Do. 4½pc 87-92 Assd	33	7.7	0.65	13.80
15O	15A	Zimbabwe Ann (£100pd)	398	15.9	—	14.15

LOANS

Public Board and Ind.

1Ja	1J	Agric. Mt. 5pc '59-89	74¾	16	6.84	10.76
1M	15	Met. Wtr. 3pc 'B'	38xd	19	7.99	10.46

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ SA1	205	5.7	028c	3.3	7.8	3.9
Feb.	Aug.	Alexanders D. £1	310	28	10.5	—	8.5	—
May	Aug.	Algemene Fl.100	£57½	17.8	Q26%	1.8	9.3	5.9
Dec.	June	Allied Irish	90	7.6	043.3%	4.0	10.3	3.1
July		Ansbacher (H.) 5p.	11	5.7	0.35	—	4.5	—
July	Jan	Bk. Ireland £1	245	17.5	Q29.6%	—	10.1	—
May	Nov.	Bk. Leumi S0.1	2½	2.8	—	—	—	—

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	June	Jardine M. SHK5	132	25.4	1092c	2.3	6.4	6.8
July	Jan	Jenks & Cattell	30xd	1.11	2.10	—	9	—
Oct	Apr	Johnson Clnrs.	289	6.9	7.7	2.3	1.8	16.1
Feb	Aug	Johnson Mthy. £1	275	21.6	10.0	2.2	5.2	(10.1)
Jan	July	Johnston Grp. 10p	204	17.5	4.0	6.2	2.8	8.1
Oct	June	Jourdan (T.) 10p	76	23	5.25	0.6	9.9	(26.1)
May	Dec	Kalamazoo 10p	38	14.4	2.5	♦	9.8	♦
Feb	July	Kelsey Inds.	144	7.6	8.0	2.1	1.9	8.2
Oct	April	Kennedy Sm. 10p	175	6.9	5.5	2.9	4.5	11.1
Nov	April	Kershaw (A.) 5p	170	28.9	21.75	0.5	18.3	(27.9)
Jan	Aug	Kleen-E-Ze Hldgs.	36	16.8	3.0	0.2	11.9	—
Jan	Aug	L.C.P. Hlds.	60	21.6	3.6	0.5	8.6	(35.0)
Dec	April	L.R.C. Int. 10p	03	16.8	2.75	2.0	4.7	14.0
Dec	May	Lawtex	33	23.11	—	—	—	—
Mar	Oct	Lep Group 10p	430	16.8	17.5	1.7	5.8	(11.6)
Oct	July	Lilleshall 10p	22	30.4	2.5	—	‡	—
Jan	Oct	Lon. & Liv. 10p	140	6.9	2.45	2.4	2.5	20.4
Jan	Sept	London & Mid'd	101	16.8	7.15	0.9	11.0	(14.9)
Jul	Dec	Lon. & Nthn. Grp.	57	18	3.15	2.1	9.7	5.9
		Lon. Priv. Health	39	—	—	—	—	19.5
Jan	June	Long Hmbly. 10p	9	12.79	B—	—	—	—
Apr	Oct	Longton Inds.	51	6.9	1.0	—	2.8	—
Aug	Apr	Lonsdale Univrsl.	65	15.2	1.0	8.9	2.2	(79.3)
Dec	June	Low & Bonar 50p	64	16.10	11.0	0.6	15.6	(21.6)
June	Dec	M.Y. Dart 10p	19xd	1.11	h1.21	—	‡	—
May	Sept	M'c'rthy Ph. 20p	242	16.8	7.0	2.0	4.1	11.2
Oct	May	Macfarlane Gp.	108xr	6.9	n3.2	2.5	4.2	12.3
July	Nov	Maclellan 20p	41	4.10	d1.43	1.4	5.0	(18.0)
Aug	Mar	Macpherson (D.)	43	19.1	4.2	1.5	14.0	6.3
Oct	Apr	Magnolia Group	48	20.9	2.3	3.9	6.8	4.9
Apr	Oct	Man. Ship Can. £1	72	9.80	B—	—	—	—
Oct	Apr	Marley	46	16.8	2.25	1.5	7.0	(12.2)
Feb	Oct	Marling Ind. 10p	49	19.7	1.08	6.7	3.5	4.5

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net
Dec	Apr	LWT "A"	160	19.4	10.07
		Leisure Inv.	138	5.7	5.0
Jan	Jul	Leisuretime Int. 10p	73	16.8	0.9
June	Jan	Mount. Aq. M. 10p	99	7.6	8.75
Apr	Dec	Medminster 10p	57xd	1.11	4.0
		Nimslo Int. 20c	235	—	—
Jan	Sept	Norton & Wri. 10p	80	23.12	d2.0
		Owners Abroad	23½	—	u0.35
Jan	June	Photax (Lon.)	47	30.4	3.5
Sept	Apr	Pleasurama 5p	360	28	h4.75
		Radio City 'A' NV	96	—	b5.6
July	Jan	Riley Leisure 10p	100½	23.11	4.1
Apr	Nov	Saga Hols. 20p	108xd	1.11	d3.73
May	Dec	Samuelson 20p	225	15.2	d8.77
Dec	May	Scott. TV 'A' 10p	105	18.10	17.0
		SelecTV 10p	35	—	—
		TSW 5p	171½xd	7.11	0.9
		TVS N/Vtg. 10p	39	—	—
Oct	Apr	Trident TV 'A' 10p	65½	19.7	4.26
		21st Century Dir. Cpn	210	—	—
April	Sept	Webb (Jos.) 5p	18½	2.8	d0.51
Apr	Nov	Zetters 5p	73	20.9	2.75

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australians

Tins

Miscellaneous

NOTES

... y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv. 20p	44	+7
Bertrams	17	
Bdg'wtr. Est. 50p	465	
Craig & Rose £1	121½	
Finlay Pkg. 5p	37	
Graig Ship. £1	126½	
Higsons Brew.	100	
Holt (Jos.) 25p	790	
I.O.M. Stm. £1	80	
Pearce (C. H.)	172	
Peel Hldgs.	157	
Sheff. Refrshmt.	747	5
Sindall (Wm.)	270	

IRISH	Price	+ or −
Exch. 15pc 1987	187¼	+⅛
Nat. 9¾% 84/89	86	+⅛
Fin. 13% 97/02	93¾	
Alliance Gas	205	+2
Arnott	206	+1
Carroll (P. J.)	82	7
Concrete Prods.	61	
Heiton (Hldgs.)	78	+7
Ins. Corpn. Ireland	405	
Irish Ropes	27	
Jacob	70	
T.M.G.	5	+2
Unidare	45	2

OPTIONS

3-month Call Rates

Industrials					
Allied Lyons	15	House of Fraser	15	Utd. Drapery	7
BOC Grp.	17	I.C.I.	24	Vickers	12
B.S.R.	6	"Imps"	18	Woolworths	8½
Babcock	18	I.C.L.	8	**Property**	
Barclays Bank	35	Ladbroke	16	Brit. Land	7½
Beecham	35	Legal & Gen.	28	Cap. Counties	12
Blue Circle	44	Lex Service	76	Land Secs.	26
Boots	22	Lloyds Bank	35	MEPC	17
Bowaters	19	"Lots"	4	Peachey	14
Brit. Aerospace	20	London Brick	11	Samuel Props.	10
B.A.T.	50	Lucas Inds.	12	Town & City	3
Brown (J.)	4	"Mams"	17		
Burton Ord.	24	Mrks. & Spncr.	76	**Oils**	
Cadburys	11	Midland Bank	30	Brit. Petroleum	26
Courtaulds	8	N.E.I.	9	Burmah Oil	11
Debenhams	8½	Nat. West. Bank	38	Charterhall	5
Distillers	20	P & O Dfd.	14	KCA	8
Dunlop	5½	Plessey	50	Premier	4
Eagle Star	30	Racal Elect.	45	Shell	35
F.N.F.C.	4	R.H.M.	6	Tricentrol	22
Gen. Accident	30	Rank Org. Ord.	15	Ultramar	42
Gen. Electric	24	Reed Intnl.	26		
Glaxo	90	Spillers	9	**Mines**	
Grand Met.	25	T.I.	17	Charter Cons.	20
G.U.S. 'A'	50	Tesco	0	Cons. Gold	40
Guardian	35	Thorn EMI	38	Lonrho	8
G.K.N.	15	Trust Houses	13	Rio T. Zinc	42
Hawker Siddl.	30	Turner & Newall	4		
		Unilever	65		

"Recent Issues" and "Rights" Page 16

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security.

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

AUSTRALIA

FRANCE

SINGAPORE

SWEDEN

SWITZERLAND

SPAIN

SOUTH AFRICA

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

Indices

NEW YORK

DOW JONES

	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Oct 29	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
e Industr'ls	1061.78	1050.22	1065.45	1022.08	1005.70	991.72	1065.49 (3/11)	776.92 (12/8)	1065.49 (3/11/82)	41.22 (2/7/32)
H'me Bnds	76.01	70.54	70.08	69.54	69.42	66.53	70.54 (4/11)	56.87 (12/2)	—	—
Transport.	452.13	445.42	443.37	452.85	427.96	420.13	452.13 (5/11)	292.12 (12/8)	452.12 (5/11/82)	12.32 (8/7/32)
Utilities	122.55	121.72	122.85	120.85	119.66	113.13	122.85 (11/10)	103.22 (30/7)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000	98,558	149,350	137,010	104,770	73,530	73,830	—	—	—	—

e Day's high 1061.17 low 1040.66

	Oct. 29	Oct. 22	Oct 15	Year ago (Approx)
Indust'l div. yield %	6.60	6.42	6.42	6.46

STANDARD AND POORS

	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Oct. 29	1982 High	1982 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	158.85	158.42	158.60	156.38	151.19	149.08	159.60 (3/11)	114.08 (12/8)	160.96 (28/11/80)	3.52 (30/6/32)
§Comp'site	142.16	141.86	142.87	137.49	135.47	133.71	142.87 (3/11)	102.42 (12/8)	142.87 (3/11/82)	4.40 (1/6/32)

	Nov. 3	Oct. 27	Oct. 20	Year ago (approx)
Indust'l div. yield %	4.47	4.76	4.8	5.16
Indust'l P/E ratio	10.51	9.69	10.2	8.51
Long Gov. Bond yield	10.16	10.66	10.62	13.60

NY. S.E. ALL COMMON

Nov. 5	Nov. 4	Nov. 3	Nov. 2	1982 High	1982 Low
81.83	81.59	82.05	79.12	82.06 (3/11)	58.80 (12/8)

Rises and Falls

	Nov. 5	Nov. 4	Nov. 3
Issues Traded	1,887	2,009	1,982
Rises	1,816	918	1,524
Falls	604	816	232
Unchanged	348	674	219
New Highs	665	577	536
New Lows	121	0	1

MONTREAL

	Nov. 5	Nov. 4	Nov. 3	Nov. 2	1982 High	1982 Low
Industrials	336.82	334.99	333.36	327.09	334.68 (4/11)	245.98 (21/6)
Combined	313.11	318.43	312.61	311.76	318.43 (4/11)	251.21 (21/6)
TORONTO Composite	1882.20	1882.7	1887.4	1834.1	1986.5 (4/1)	1352.8 (7/7)

	Nov. 5	Nov. 4	Nov. 3	Nov. 2	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	525.7	521.7	511.6	506.5	595.5 (4/1)	443.2 (8/7)
Metal & Minls. (1/1/80)	458.1	456.3	417.2	406.4	439.1 (5/11)	330.8 (1/7)
AUSTRIA Credit Aktien (2/1/62)	47.68	47.67	47.56	47.43	58.96 (4/1)	47.38 (26/10)
BELGIUM Belgian SE (31/12/63)	101.21	100.75	100.04	100.65	105.88 (22/9)	88.42 (26/1)
DENMARK Copenhagen SE (1/1/73)	118.38	118.55	117.74	117.17	129.22 (25/2)	109.51 (15/9)
FRANCE CAC General (31/12/81)	101.6	101.4	100.8	(c)	111.8 (12/5)	88.3 (12/8)
Ind Tendance (31/12/81)	120.3	120.3	113.4	(c)	124.3 (18/5)	87.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	232.74	234.24	232.26	232.56	239.40 (5/4)	214.06 (17/8)
Commerzbank (Dec 1953)	704.2	708.1	702.6	704.3	728.8 (5/4)	658.2 (17/8)
HOLLAND ANP-CBS General (1370)	99.6	99.3	97.8	96.7	99.8 (4/11)	84.8 (8/7)
ANP CBS Indust (1370)	75.8	76.7	75.0	75.2	76.7 (4/11)	65.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64)	852.82	861.92	864.65	822.64	1445.82 (12/1)	755.75 (26/10)
ITALY Banca Comm Ital. (1972)	164.54	166.68	155.87	164.08	212.66 (19/3)	147.25 (22/7)
JAPAN** Dow Average (16/5/49)	7528.39	7515.90	(c)	7385.62	7928.55 (27/1)	6848.78 (1/10)
Tokyo New SE (4/1/68)	554.80	556.25	(c)	547.81	583.29 (27/1)	511.52 (17/8)
NORWAY Oslo SE (1/1/72)	117.01	118.06	116.16	115.17	150.33 (28/1)	103.12 (1/4)
SINGAPORE Straits Times (1966)	748.64	735.58	780.45	727.28	818.78 (6/1)	587.51 (15/8)
SOUTH AFRICA Gold (1958)	991.5	712.1	727.8	735.7	778.5 (27/10)	385.5 (8/7)
Industrial (1958)	689.4	690.6	681.5	682.1	711.7 (8/1)	607.5 (29/6)
SPAIN Madrid SE (30/12/81)	84.05	83.83	83.17	82.10	107.45 (9/2)	79.89 (30/9)
SWEDEN Jacobson & P. (1/1/58)	780.82	786.79	750.35	744.54	795.36 (22/10)	563.52 (29/4)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	258.40	258.6	254.6	255.7	259.6 (4/11)	237.3 (17/8)
WORLD Capital Intl. (1/1/70)	—	149.0	149.4	145.7	149.4 (3/11)	116.4 (13/8)

(**) Saturday Oct 30: Japan Dow 7296.92. TSE 542.89.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50, Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. o Unavailable.

NEW YORK ACTIVE STOCKS

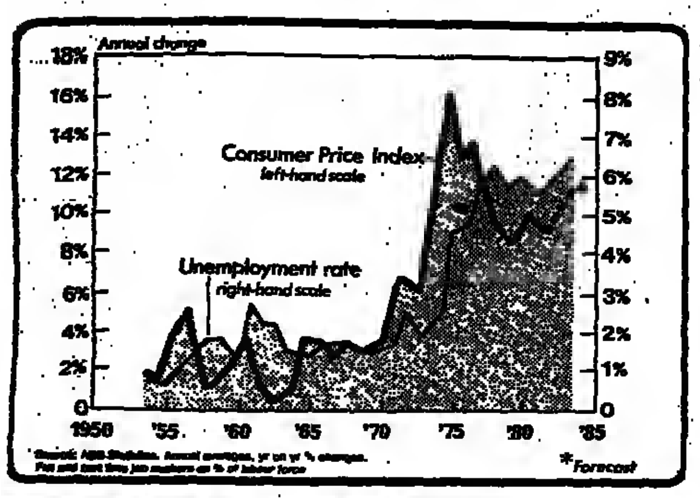
Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sony	1,635,800	15	−⅛	El Data Sy.	1,034,700	45¼	+1¾
Exxon	1,219,400	30⅛xd	−1	ATT	997,000	62⅛	+⅛
Seagull	1,204,500	9⅛	+1⅛	IBM	995,300	84¼	+⅛
Chrysler	1,166,200	10⅞	—	Boeing	980,200	29⅛	+1⅛
Amerada Hess	1,090,800	31⅞	+1⅛	Sears Roebuck	827,100	31⅛	+⅛

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Financial Rand US$0.75½ (Discount of 12½%)

FINANCIAL TIMES SURVEY

Australia's reputation as a major world mineral supplier is already secure, but the country faces pressures to restructure its economy. Above all, the main challenge confronting the country is one of vision and leadership



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TRADE AND INDUSTRY

MINERALS AND ENERGY

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POLITICAL AND SOCIAL ISSUES

● Editorial production of this survey was by Mike Wiltshire; *design by Philip Hunt.*

Australia

Mounting concern over the economy

BY MICHAEL THOMPSON-NOEL

THE DIE is now cast for the Australian coalition Liberal-National Party Government, which in the past 24 hours will have placed under a microscope the results of Saturday's crucial state election in South Australia.

Until Saturday, the South Australian State Liberal Government of Dr David Tonkin held an overall two-seat majority, and was vulnerable to a modest swing to Mr John Bannon's Labor Party opposition.

With unemployment at 8.5 per cent—the highest among mainland Australian states—and a fragile manufacturing base, the key issue in the South Australian poll was economic management.

Thus Saturday's election was seen as a litmus test for a possible snap federal poll, given that the deadline for calling a December federal election, is tomorrow.

For all his talents as a strategist, Mr Fraser would be taking a very real gamble in going to the polls. For the past nine weeks, the Government has been buffeted by damaging disclosures on the growth of tax avoidance in Australia, which have unearthed corruption in high places and left the government disoriented and dismayed.

Yet as a political issue, the tax avoidance scandal has in turn been overshadowed by the performance of the economy, which has given the Labour Party Opposition *carte blanche* to attack the Government's record on economic management, employment and industrial *restructuring*—let alone the overhaul of industrial *relations.*

The certainty that the *economy would get worse before* it got better was at the root of *the Government's electioneering budget of August 17*—a budget that strove to be all things to all men, but whose vote-getting potential has since been swamped by opposition claims that its figures were "rigged" to court electoral appeal, and whose basic assumptions are in any case in doubt.

The certainty of hard times to come was also the staple ingredient feeding *speculation* of an early election, though such an *option* was opposed by rank-and-file Liberals, the likelihood now *being* that *the government* will soldier on, in the hope that the current parliament *runs its* course, until next October.

. of 15m, Australia has almost unlimited potential—its vast mineral and energy wealth being complemented by relative political stability and fiercely-defended democratic values.

Until recently, it was thought likely that Australia was on the brink of a resources investment boom that would dwarf the one experienced in the early 1970s, and confirm Australia—already secure in its position as one of the world's premier mineral-producing countries—as the engine of its region: the lucky *country, indeed.*

More recently, enthusiasm has been tempered, *partly by the* depth of the world recession and the downward *pressure on* crude oil prices, which has lessened the urgency for developing *alternative energy* resources, and partly by problems that have resurfaced in the domestic economy in the past 24 months, notably rising wage and price inflation, and a deteriorating external balance. These have raised nagging doubts about Australia's ability to handle a major resources boom without prompting internal dislocation and social strife.

The potential is still there. The coal and the iron ore, the copper and gold and bauxite and other mineral wealth, is still in the ground. And Australia has every opportunity of enhancing its status as an important food producer, and of strengthening and revitalising its industrial base.

Australia was late entering the recession and will be late leaving it, with the result that significant improvement in the Australian economy is unlikely before 1983-84.

. . .y production is at a *four-year low*, while the continuing slump in world commodity prices has seen major mining companies abandon or *defer* more than A$2bn (£1.1bn) worth of new project spending. (*On* the other hand, recent estimates put the level of likely resource development spending in Australia over the next eight years at more than A$32bn).

Inflation is at 12.3 per cent—and rising; unemployment is 7.4 per cent—and rising, as dramatised by the recent invasion of Parliament House, Canberra, by a group of recently-sacked steel and coal workers from New South Wales. The Australian dollar is at around 93.65 U.S. cents—and wavering, which is aggravating cost pressures on a broad front.

Retail sales and construction starts are static, and because of drought and the nature *of* mineral contracts, the country's *export growth in* 1982-83 *may* not exceed 1 per cent, a large *fall in* real *terms* and a *third* successive annual decline.

Import growth will be contained, but a further substantial balance of trade deficit is *nevertheless expected, while on* the available evidence, scope for expansionary fiscal measures remains severely constrained.

The drought at present affecting the eastern Australian states will have both a short- and a long-term impact on the economy. In the short-term, the gross value of farm production in *1982-83* is expected to fall by about 12 per cent, to A$10.9bn, while total net farm income could fall from A$4.1bn in 1981-82 to as little as A$1.6bn, a decline of 60 per cent.

The drought has depressed sales of farm machinery, and hit rural businesses and communities. In the longer term, it is reckoned that if breeding *stocks* are reduced by *25 to 30* per cent, herd recovery could *take* five to *six* years for beef cattle, and three to four for sheep.

Talk in Australia of golden tomorrows through mineral riches has been submerged for now by worries over short- and medium-term prospects

Concern over the economy has not been assuaged by the damaging controversy over the federal budget of August 17, which the Labour party claims was "rigged" to smooth the way for a possible snap election.

Over and above such immediate concerns is the vivid realisation that the most damaging element of the cost problem confronting Australian industry and exporters is wage inflation, and union bloodymindedness.

Recently, announcing that salaries of senior management and staff would be frozen until next June, and that working hours would be increased by half-an-hour a day, to 40 hours a week, Sir Arvi Parbo, chairman of Western Mining, said that, *incredibly, on top of* serious wage inflation, there was a drive in Australia for shorter working hours.

"This is a recipe for economic self-destruction," he said. "It is critical to the future of us all that economic sanity be restored."

The latest signs are that wage inflation is abating as unemployment rises, but there is—or at any rate there should be—an important subsidiary debate on how best to use the country's reservoir of talented labour.

Sir Mark Oliphant, the Australian physicist, said recently that a large and *growing* part of Australia's GNP was spent on unemployment *benefits and* pensions for people still able and willing to work—"this at a time when so much remains to be done in the underdeveloped country."

Projects he had in mind included roads, railways, airfields, pipelines, power grids and still-greater exploration for minerals.

Yet, for Australia and her economy, the fundamental outlook *still* looks good. In London, in June, Mr Doug Anthony, the *Deputy* Prime Minister and Leader of the Australian *National Party, admitted* that there was a re-assessment and rescheduling *of* resource projects underway, leading *some* commentators in Australia to herald the end of the so-called resource boom.

"I say 'so-called' because the term was built on a catalogue of new investment projects which was published to provide an indicative list of proposals. These were at various stages of commitment. Some were under way or likely to proceed in the future. Some were mutally exclusive. I suppose it was inevitable that people could not resist the temptation to add up the figures and call the result a boom."

However, he added: "Whatever it should or shouldn't be called, the fact remains that very substantial resource development is under way in Australia. Major projects currently include three new aluminium smelters, 14 coal mines, a major offshore natural gas project and a major onshore liquid fuels project, while oil exploration is at a record level."

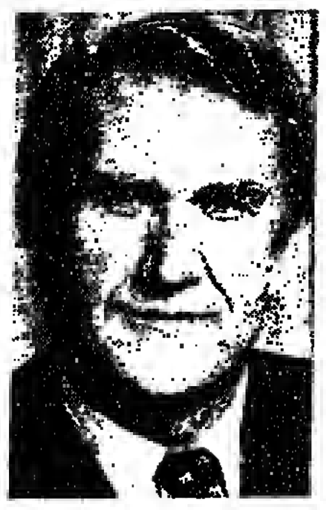
In many ways, Australia is at a cross-roads, it has the *potential* to become a major middle-power, and to transform its economy in to the most dynamic in its region. The *alternative* is *for* Australia to view itself, and be viewed by others, *as* a *continent-wide* quarry.

"The boundaries between the states were not drawn by nature but by people," says Sir Mark Oliphant. "We have managed to agree that the ultimate decisions in matters of law rests with the High Court. But we are unable to agree on a national anthem, or what is football."

Donald Horne, the Australian writer, observed almost 20 years ago that "Australia merits sympathy for *providing* an encyclopaedic study of the main dilemmas of the mid-century," and regretted that there *were* "*few* 'new men' gathered together in the precincts of power to visualise the images of the nation so that change *may become possible.*"

It is a verdict that needs little *updating. The main challenge* confronting Australia is not the current *ills in* the economy, or the latest episode of political *scandal*, but one of vision and leadership.

CONTINUED ON PAGE III



Prime Minister Malcolm Fraser—will he take a gamble soon and go to the polls?

The Government declares itself committed to maintaining an anti-inflationary stance while courting electoral popularity with a wide range of inducements.

Despondency rises with the rate of inflation

CONSTERNATION and depression. That was the general reaction to the news late in October that in the three months to September the Australian consumer price index had risen by 3.5 per cent, boosting the rate of inflation for the year to September to 12.3 per cent.

It was the highest for five years and almost back to the level of December 1975, soon after the ruling Liberal-National Party Government came to power.

The stock market, already depressed by talk of an early Federal election, plunged 10.3 points. The Federal Treasurer, *Mr John Howard*, described the sharp jump in inflation as "very disturbing." The Labour Opposition emitted renewed howls of protest and economists and business leaders agreed that a current inflation rate of 12.3 per cent was among the "worst scenarios" predicted.

The reason for the despondency was that efforts to reduce inflation have formed the very cornerstone of the Government's economic strategy, its professed ambition being to steer Australia back on to a course of non-inflationary growth which would help to maximise benefits from an eventual improvement in world trade and help to pave the way for adjustments in the economy needed to handle a strong expansion of the resources sector.

The most depressing feature of the higher inflation rate was that it demonstrated that Australia was moving on an opposite tack to that of its main trading partners.

It also refocused attention on the Government's controversial Budget of just two months previously — controversial because of allegations that it was "rigged" to pave the way for an autumn election had the Government so wished.

Approaching the Budget, the Government's options were clearly limited. Abroad, commodity prices were severely depressed. At home, Australia was facing its first real reduction in GDP in 30 years. Unemployment was rising and company profits falling.

There was a strong upward pressure on wages. Inflation was proving difficult to contain, the currency was weak, and the balance of trade was deteriorating.

In the event, the Government declared itself committed to maintaining an anti-inflationary stance while courting electoral popularity with a wide range of inducements, a compromise described by commentators as akin to putting the economy on "hold."

The economy

The Budget offered personal tax cuts worth A$1.7bn (£944m) a year, partly offset by consumer tax increases, a A$726m housing package, a 15 per cent increase in welfare spending, and a change of emphasis towards capital works expenditure, including a special road-building programme, aimed at boosting employment and costing about A$2.5bn up to 1988-89.

The Budget, said the Treasurer, reflected no change in economic objectives, nor a lessening of the Government's resolve to reduce inflation.

For 1982-83 the Government would seek to contain the growth of M3 money supply to nine to 11 per cent (against an outcome of 11.3 per cent in 1981-82). Inflation, as measured by the CPI, was expected to increase by about 10.75 per cent. Growth in consumer spending was not expected to be more than about 1.5 per cent (against 3.5 per cent in 1981-82).

There was unlikely to be any real growth in domestic non-farm production and business fixed investment, which had grown at record rates in recent years, would probably decline a little.

Farm output would fall and unemployment rise, and with the prospect of some growth in world trade, said the Treasurer, it was likely there would be a modest improvement in export volumes while import volumes remained broadly unchanged.

According to Hill Samuel Australia, it was a "wait and hope" Budget. Other observers said it was rather worse than that.

Among major concerns it was said that the Budget was sufficiently concerned with tackling inflation, and that there had been no attempt to reduce "big government" in Australia, public sector outlays, as a percentage of GDP, having risen yet again to a projected 39.3 per cent for 1982-83.

The Budget deficit was forecast at A$1.67bn, against an actual deficit, for 1981-82, of A$549m. But it was only a matter of weeks before Budget calculations were already off-course, with predictions rife that the deficit for 1982-83 could rise to twice the level forecast.

Factors that have already blown the Government's calculations astray include the Treasurer's admission that unemployment benefits this year could cost an extra A$300m, the post-Budget cost of drought relief (around A$350m), an expected shortfall in company tax revenues, and problems caused by delays in implementing retrospective legislation to win back sums lost through tax evasion and avoidance.

Unemployment

The rise in unemployment is particularly worrying for the Government. In September the number of *unemployed* was 504,800, or 7.4 per cent of the workforce, with the total expected to rise to 750,000 in the New Year if allowance is made for those too discouraged by the recession to look for new jobs.

On the balance of payments front, it seems likely that Australia can continue to expect problems with its trade and current accounts in 1982-83.

In 1981-82 the main balance of payments factors were flat export growth, strong import growth, a widening of the trade deficit to A$3.3bn, a current account deficit that was 70 per cent higher, at A$9.1bn, and strong private capital inflows, though with official borrowings needed to support the exchange rate and official overseas reserves.

Mr Alister Maitland, chief economist of the Australia and New Zealand Bank, said recently: "The outlook is one for concern. The Australian economy has entered a contractionary phase.

"It was late entering the recession, and because of *the* strains created by wage inflation and pressures on the balance of payments it is likely to lag behind the rest of the world in recovery."

With the goal of non-inflationary growth apparently as elusive as ever, most commentators believe that until Australia can develop better industrial relations, adjust its protective umbrella *over uncompetitive* industries, encourage technological advance and stimulate higher productivity, economic progress will remain sluggish and/or inflation prone.

"In the short to medium term," said Mr Maitland, summing up the most generally-held view of Australia's prospects, "improved industrial relations encompassing responsible wage policies, fewer strikes, and improved quality control and productivity, have a major part to play in lifting the economy.

"Indeed, given the relative lack of positive results from orthodox monetary and fiscal policies, a new era in industrial relations may well be the most important single factor determining Australia's return to economic buoyancy."

Michael Thompson-Noel

AUSTRALIA'S BALANCE OF PAYMENTS

($m)

Period	Exports (fob)	Imports (fob)	Balance of trade	Net invisibles	Balance on current account	Government capital	—Private capital and balancing item†— Trade credit of marketing authorities	Public non-monetary enterprise borrowings	Other	Total	Net apparent capital inflow	Net official monetary movements
1979-80	18,379	−15,828	2,751	−4,857	−2,107	−80	−379	509	1,756	1,886	1,806	−301
1980-81	18,816	−19,188	−372	−4,971	−5,344	−87	93	409	6,059	6,560	6,493	1,149
1981-82	19,130	−22,450	−3,321	−5,759	−9,089	276	101	950	9,114	10,165	10,441	1,362
1980-81:												
June	1,623	−1,759	−136	−456	−593	−6	−19	67	652	709	704	111
1981-82:												
July	1,438	−1,896	−458	−457	−916	93	17	27	385	429	522	−394
August	1,713	−1,811	−98	−435	−533	−12	−55	90	242	277	266	−267
September	1,459	−1,756	−297	−475	−771	−49	55	62	222	339	290	−482
October	1,509	−1,977	−468	−501	−969	−6	38	62	702	801	795	−173
November	1,506	−1,812	−306	−428	−734	7	−34	39	551	556	563	−171
December	1,421	−1,536	−115	−429	−544	309	28	19	369	416	725	181
January	1,522	−1,749	−228	−491	−719	−42	29	28	297	354	312	−407
February	1,598	−1,881	−284	−400	−684	71	62	18	574	654	726	42
March	1,698	−2,124	−425	−509	−934	−72	26	76	1,329	1,431	1,359	425
April	1,645	−1,919	−374	−559	−833	−34	−28	65	2,008	2,046	2,011	1,178
May	1,811	−1,989	−178	−552	−730	47	−53	189	1,734	1,871	1,918	1,187
June	1,810	−2,001	−191	−523	−713	−37	16	275	701	992	956	242
1982-83:												
July	1,946	−2,021	−75	−512	−586	89	−28	14	364	350	439	−147

† Includes private capital movements, non-official monetary sector transactions and a balancing item. Source: Government statistics.

AUSTRALIAN NATIONAL ACCOUNTS

GROSS DOMESTIC PRODUCT AND NATIONAL EXPENDITURE

($m)

Period	Gross national expenditure	Plus exports of goods and services	Less imports of goods and services	— Gross domestic product — Farm	Non-farm	Total	Components of gross domestic product — Gross domestic product at factor cost — Wages, salaries and supplements	Gross operating surplus — Trading enterprises Companies	Other	Financial enterprises, etc	Indirect taxes less subsidies
ORIGINAL											
1978-79	103,444	16,515	17,889	6,475	95,595	102,070	55,415	11,805	22,639	123	12,088
1979-80	112,764	21,615	20,915	7,395	107,069	114,464	61,627	13,608	25,053	107	14,069
1980-81	133,594	22,214	24,753	7,135	123,920	131,055	71,392	16,243	27,008	237	16,175
1980-81:											
Dec. qtr.	36,444	5,707	6,090	3,225	32,836	36,061	18,457	4,862	8,686	60	3,996
March qtr.	32,029	5,383	6,149	1,383	29,880	31,263	17,295	3,688	6,107	74	4,093
June qtr.	33,542	5,775	6,489	953	31,875	32,828	18,703	3,989	5,743	32	4,361
1981-82:											
Sept. qtr.	36,907	5,470	6,943	1,451	33,983	35,434	19,644	4,477	7,098	93	4,122
Dec. qtr.	42,159	5,422	6,836	3,746	36,999	40,745	21,179	5,002	9,899	81	4,584
March qtr.	36,803	5,750	7,271	1,365	33,917	35,282	20,321	3,286	6,776	100	4,799
SEASONALLY ADJUSTED											
1980-81:											
Dec. qtr.	33,044	5,530	6,061	1,859	30,654	32,513	17,508	4,194	6,762	55	3,994
March qtr.	33,790	5,472	8,142	1,655	31,465	33,120	18,121	4,154	6,749	65	4,031
June qtr.	35,304	5,707	6,617	1,739	32,655	34,394	18,945	4,225	6,880	57	4,287
1981-82:											
Sept. qtr.	36,973	5,633	6,868	1,980	33,758	35,738	19,437	4,472	7,472	82	4,275
Dec. qtr.	38,132	5,243	6,790	1,832	34,753	36,585	20,257	4,309	7,373	76	4,571
March qtr.	38,776	5,841	7,263	1,817	35,537	37,354	21,177	3,725	7,643	90	4,719

Source: Government statistics.

Asian neighbours are catching up

THE POPULAR IMAGE of Australian society and culture is one of pubs, clubs, barbecues, beaches, surfing, picnics in the bush and the great outdoors; of playing and watching sport; of Lotto and the Melbourne Cup.

It suggests an energetic pursuit of the good life, which until recently, and for most Australians, was readily attainable, thanks to the affluence to which they have grown accustomed.

Living standards

Last June, average weekly earnings of male employees were A$353.80, or £197.54 — against the A$311.20 registered in September last year. Yet unemployment, which now makes 7.4 per cent of the workforce idle and is expected to top 9 per cent by early next year, has cast a shadow.

In September this year, the number of unemployed stood at 504,800, the first time it had breached 500,000 since the Great Depression.

Indeed, earlier this year, the nation was shocked by a report from the Australian Industries Development Association, Melbourne, which found that despite increases in Australian living standards over the past 30 years, the country's relative position was deteriorating steadily.

According to AIDA: "A generation ago, only four countries in the world had higher average living standards than those in Australia. Today, there are 10 countries which can boast higher living standards."

As its base year, AIDA took 1955. Its proxy for international living standards: gross national product per capita, in U.S. dollars, which it reckoned to be "still the single most useful synthetic indicator of living standards among nations."

Its conclusion was: "Although the average employed Australian has never before enjoyed such high living standards, they *are rising at a faster rate*, on average, abroad."

On the basis of AIDA's rankings, Australia's standard of living placed it in fifth spot internationally in 1955, bettered only by the U.S., Canada, New Zealand and Switzerland. It ranked sixth in 1960, and fifth again in 1963. By 1970, Denmark, West Germany and the Netherlands had overtaken it, and by 1979 it had dropped out of the top 10.

Altogether, its poor performance, over the period, was exceeded only by that of New Zealand, which dropped 13 places, and Canada, which lost eight.

Above all, the study brought home to ordinary Australians the manner in which many of its Asian neighbours were catching up on Australia. According to the study: "On

CONTINUED ON NEXT PAGE

Debate now rages as to whether a rush of Japanese funds was hot money attracted by high interest rates or longer-term investment

Unexpected inflow of Japanese capital

Foreign investment

THREE MONTHS AGO the accepted wisdom in Australia's two main financial centres, Melbourne and Sydney, was that despite falling interest rates on both sides of the Atlantic there would be no relief from the record level of 17.5 per cent reached three months ago.

The Australian inflation rate, at 11.5 per cent well above the OECD average, and the urgent need to secure a strong capital inflow to prevent a potential balance of payments crisis, would see to that.

Despite the dire warnings of financial experts, both official and unofficial, rates have fallen substantially. On one day in October the official bond rate *fell* by a *staggering* 2.4 per cent, triggering a fall in bank overdrafts and enabling Government Ministers who had feared the worst to talk glibly about the prospect of an early fall in mortgage rates.

The reason was a new and totally unexpected phenomenon in Australia—a substantial flow of capital investment from Japan. This was the major factor behind the large capital *inflow of* A$2.74bn in the *third* quarter, of which more than *two-thirds* came in September alone. In consequence, Australia's balance of payments was in surplus at A$ 379m, compared with last year's deficit of A$1.143bn.

Of the capital flow at least A$1.5bn appears to be accounted for by Japanese investment in Australian Government-guaranteed securities. When most of it flooded into Australia, the Japanese were able to secure not far short of twice what they could obtain on blue chip investments in Japan, not allowing for the exchange rate risk.

A debate now rages as to whether these funds were hot money attracted by erstwhile high interest rates, or longer-term investment.

Viewpoint

Advocates of the former believe that when the Japanese understand the economic realities of Australia—not least the industrial bloodymindedness, the political uncertainties, and the blight to exports caused by drought and the slump in *minerals output*—they will find another harbour for their funds.

This debate probably ignores the facts of life in Japan, which also has its political and economic uncertainties following the sudden exit of Mr Suzuki as Prime Minister. Under threat of trade wars with Europe and the U.S., the Japanese are also anxious to restrain a balance of payments surplus by exporting capital.

It is unlikely to be hot money. Most of the A$1.5bn was for two to four years. This is perhaps short-term by Japanese standards but certainly not by those of the Australian capital markets, where it would be regarded as medium term.

It has also been attracted by a recent relaxation by the Federal Treasury of the rules on foreign borrowings by semi-government authorities such as power utilities. Some of the electricity commissions put on special "short-term" two to three year issues for Japanese investors, with rates of 16.5 to 17 per cent.

According to Mr Bob White, chief executive of Westpac Banking Corporation, Australia's largest banking group, "If you were a Japanese investor in Australian dollars you would not be taking a three-to-four-month view. You would be taking a three-to-four-year view.

"The Japanese, conscious of their own scarcity of energy reserves, are still most impressed by Australia's resources and are optimistic about the *medium-term future* of the economy. We are still seen as a pretty stable place and still have tremendous reserves of energy."

Side-effects

Falling interest rates have had two *immediate side-effects*: they have reduced the allure of the cash management trusts, which since their founding only two years ago have sucked in more than A$2bn of investors' money, and they have raised the probability that at least some of the recommendations of the Campbell Committee inquiry into the Australian financial system *will* be *implemented*.

Just *over* a year *ago* the Campbell Committee urged *sweeping* changes in the Australian financial system — deregulation of the banks, the abolition of interest and exchange rate controla, and tha admission of a limited number of new foreign banks. Since then, the report has been gathering dust on Canberra shelves.

In some cases, the Treasurer, *Mr John Howard*, a *self proclaimed* supporter of the report, *has* acted *directly against* its philosophy — for instance, in asking the reserve bank to release 1 per cent of tha banks' statutory reserve deposits for housing.

The Treasurer also decided to keep the so-called 30-20 rule, which provided that lifa office and pension funds could earn tax concessions if they invested *30 per cent of their funds* in Government securities, of which 20 per cent had to be Federal securities

Regulations limiting the direct access *of* semi-government anthorities *to* overseas capital markets were lifted, and the question of the admission of foreign banks has been studied by an interdepartmental task force examining the report, which recommended a go-ahead subject to a substantial Australian equity requirement.

This has been fiercely opposed by one of tha principal contenders for an Australian banking licence, Citicorp, which already has a nationwide chain of finance companies and could adapt quickly to full banking. A top U.S. executive of Citicorp, on a recent visit to Australia, said the group would probably reject an Australian banking *licence if it was stipulated that* the operation had to have 50 per cent *equity*.

Japanese contenders are less bothered about the *rules*. For example, the president of Sumitomo Bank, Japan's third largest, said he would be prepared to consider and fully meet whatever rules the Federal Government made.

The chairman of Mitsubishi Bank said the Jepanese were prepared to make concessions to gain entry to tha Australian market. UK banks' also seem prepared to enter on a sharing basis.

Despite recent optimism that *a decision is in* the wind, it seems unlikely there will be an announcement before a general election. If Labour wins the foreign banks will be asked to *stay away*.

The fall in interest rates has made *surprisingly little impact* on equity markets. They are still depressed and failed to react to any significant degree to tha large rises in the Financial Times Index and the Dow Jones Index.

A major factor here is the depressed stata of corporate profits. An Australian Financial Review survey of 153 major *listed* companies' *profits* in the financial year to June 30 ahowed an overall 3.85 per cent fall for the year.

The survey, covering both industrial and mining companies, ahowed that the real trouble came in the second half of the year, when profits fell 11.5 per cent compared with the same six months of 1981.

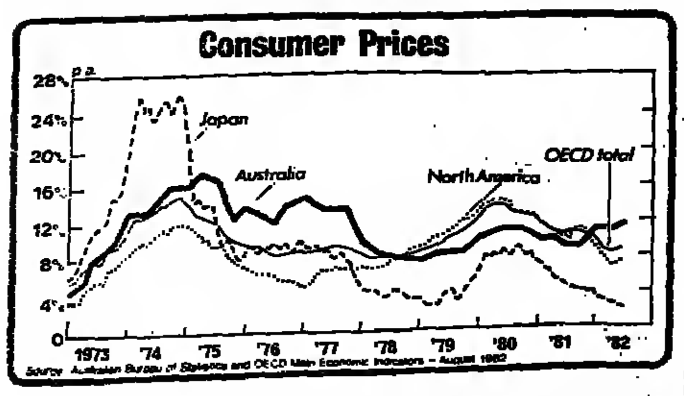
A more comprehensive study, in that it covered 325 listed companies, in The Age newspaper, ahowed that although aggregate sales were up by 15.8 per cent, compared with inflation at 10.5 per cent for tha financial year, profits fell 4.5 per cent. One in 10 companies reported losses, but, aurpriaingly, one-third managed to show healthy profit *rises* of 25 *per* cent or more.

Bad *year* thoogh it *may* be, the equity market seems unuaually gloomy. *Most companies* have taken a knife to their costs and there have been large-scale lay-offs.

Concessions in the budget in the shape of much-improved investment allowances should spead progress towards industrial automation. The labour relations climate is mncb improved, with *the* numher of dispntes falling sharply.

Colin Chapman

Mr John Howard, the Treasurer—he supports sweeping changes urged by the Campbell Committee's inquiry into the Australian financial system.



Living standards

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current trends, GNP per capita in both Hong Kong and Singapore will exceed that of New Zealand in less than 10 years.

Using a different set of measurements, the study found that Australia had the third lowest growth rate in real GNP per capita, and the fifth lowest rate in real gross fixed capital formation, among the 23 OECD countries over the decade 1969-79.

Trade performance was also poor, said AIDA, the growth in Australian export volumes (3.56 per cent per annum) over the 1970s being the lowest recorded among the major Western nations. Australia's record in terms of export values had also been well below the world average, with the result that its share of the value of world exports had fallen from 1.68 per cent to 1.19 per cent in the 10 years to 1980.

In absolute *terms*, the average employed Australian has never had it so good. While the population grew by just under 60 per cent in the 25 years to 1979 (last New Year's Eve it was put at 15.05m), the real value *of production* rose by 70 per cent while real private *consumption* per *head* rose more than 140 per cent.

There is widespread *homa* ownership, and 38 television sets to every 100 of the population, a level of set ownership exceeded only in the U.S., Canada and UK. Although information is patchy, a redistribution of wealth seems to be under way, with the 10 per cent of families with incomes immediately below the average achieving the highest relative gains over the five years to 1974, the latest for which data is available.

Michael Thompson-Noel

PROFILE: THE NEWLY-EMERGED WESTPAC BANKING CORPORATION

Hopes rise for nation's biggest bank

WESTPAC BANKING Corporation may not have caught everyone's imagination as a name, but the management of the newly emerged group see it as an honest description of its regional ambitions for the Western Pacific.

With assets of about A$30bn it ranks as Australia's largest bank and *69th* an world lists, and now has the confidence of a solid *base* from which to reach for a greater role *in the international* sphere.

Domestically, the addition of the Commercial Bank of Australia's branches to the 1,200 of the Bank of New South Wales has given it a total of 1,760. It has also brought the scope for medium-term benefits from rationalisation and an improved *geographic* spread.

For the moment it is incurring the *costs* of the merger, and these were a factor in the 8 *per cent downturn* in banking arm profits included in the 7 per cent growth in net earnings to A$115.7m for tha half year to March 31.

These costs, including stamp duties and changing the signs on all those branches, are sure to impinge on second half earnings at a time of general pressure on banking margins. Moreover, its all important *finance subsidiaries* have witnessed great pressure on profits.

The group is actively *looking* into areas of duplication and undertaking a *reorganisation* of the branch banking *structure* to the *regional* approach successfully pioneered by the *ANZ* Banking Group.

This will see the creation of regional sub branches offering most full banking services, with the branches offering a more simple consumer level *deposit and withdrawal* service along the lines *of* the increasingly competitive building societies and credit unions.

The strengthening of this domestic base is seen by Westpac as crucial to its overseas ambitions, where it will compete with the world leaders without the luxury of a U.S. dollar *deposit* base.

It has considered the option of buying into a U.S. bank—and a number have been offered to it — but believes the entry price is high, and the geographic confines of any potential targets argue in favour of its option *for the wholesale banking* approach *internationally*.

Here it has branches in *London, New York, Chicago*, San Francisco and Singapore —as well as *representation in* Hong Kong, Tokyo and *Houstan—to* allow it to tap into U.S. dollar markets.

Until *now* much of its financings from these sources have been directed back to Australian resources projects and to trade finance although lately it has been taking an

> Westpac has the confidence of a solid base on which to build a greater role in the sphere of international banking

increasing participation in *Eurodollar syndications* and in financings within the regions in which it is represented.

Such foreign operations, meanwhile, represent only about 10 per cent of total trading bank profits, which would point to about A$10m of an expected overall group total near A$250m thia year.

However, Bob Whitle and Ian Matheson, chief and deputy chief general managers at Westpac, believe themselves fortunate in missing out on much of the international banking business in the 1970s, in light of the position of some of the heavily borrowed developing and East European countries.

They see this as an advantage as they embark on their selective expansion. An equal advantage will be its conservatism, which sees the total assets of $30bn supported by shareholders' funds approaching A$1.5bn, representing just on 5 per cent of the balance sheet total.

Meanwhile, the international debt problems have created a better environment for margins. Westpac hopes to combine this with a selective approach emphasising Australia's Asian trading partners where it sees great potential for economic growth.

It also has a China card, where it has had *trade finance* links since 1949 with the Bank of China. It recently opened a representative office in Peking, at the behest of the Chinese.

At home, however, it still awaits its first lead role for an Australian Government *foreign debt issue. Canberra* deals with Morgan Stanley on dollar debt, *although the first* chink of light for local groups came with the latest raising, when both Westpac and the ANZ made minor contributions.

Westpac is encouraged and such a coup would surely mark the coming of age for a bank which officially *is* little more than one month old.

Lachlan Drummond

Strenuous efforts needed to improve export performance

Serious problems to be faced

AS A trading nation, Australia must live on its wits. Yet if it is to justify its advance billings as the "engine economy of the Pacific region," it knows that it must make strenuous efforts to improve its export performance and restore its price competitiveness.

On a similar note, it is readily acknowledged within Australia that the country is facing increasingly severe pressures to restructure its manufacturing base — the direction of industrial policy towards import replacement having produced a broadly-based manufacturing sector which, though able to hold its own against imports, has little going for it in third markets.

Part of the problem is that Australia's exports are still concentrated in primary and lightly processed primary products, many of them highly vulnerable to cyclical depressions in world trade.

At a seminar in Canberra earlier this year, Mr Mark Rayner, managing director of Comalco, the Australian integrated aluminium producer, maintained that the Australian economy was at a critical point.

"It is difficult," said Mr Rayner, "to see how Australian economic performance in the 1980s will not be as lack-lustre and socially frustrating as it was in the 1970s. The problem is not one of economic opportunity, or of potential; it is simply one will."

The economy, he said, was becoming seriously less competitive in relation to economies of those countries with whom Australia had to compete for investment and growth. "Reversing this trend requires an appreciation that success will not be achieved by short-term political solutions, beggar-my-neighbour industrial policies, inept management, or by excessive reliance on social welfare."

Export trade

First, the trade picture. Australia is a major exporter of a wide range of mineral and energy products. In 1981-82, exports represented 15 per cent of Australian GDP. Australia is the world's top wool exporter, and among the top three or four for wheat, beef and veal, mutton and lamb, sugar, bauxite, coal and iron ore.

However: whereas in 1949, Australia ranked as the seventh largest international trader, by 1981, it had slipped to 16th.

Australia's share of world exports fell from 1.7 per cent in 1970 to 1.2 per cent in 1980.

Australia's biggest export customer is Japan, which took A$5.4bn (£3bn) of Australia's exports in 1981-82 (27.5 per cent of the total), and the U.S., which took A$2.2bn worth of Australian goods in 1981-82 (11 per cent of the total). Yet over the 1970s, Australia's overall market shares declined in Japan and the U.S., as well as the EEC.

Markets of growing importance to Australia include Korea (A$685m worth of Australian goods in 1981-82), China, Russia, the Middle East and the Asean countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), though Australia's continued marked reliance on its top three export markets—Japan, the U.S. and New Zealand—can be shown like this: in 1974-75, their combined intake of Australian exports was 43.7 per cent but last year the intake was 43.8 per cent.

Australia's manufactured exports improved their share of total exports from about 13 per cent in the early 1960s to about 25 per cent in the early 1970s, but then declined, and have remained static at around 20 per cent for the past decade. Exports of basic metal products grew most rapidly, while those of chemicals and non-metallic mineral manufacturers also grew significantly.

While Australian mining exports grew five times faster than world mining exports over the 1970s, world exports of agricultural products grew five times faster than Australia's.

Both on the trade and the industry fronts, there are serious problems with which Australia must grapple. Among them are: loss of price competitiveness; an urgent need to stimulate productivity; the growth in world protectionism; and Australia's damaged reputation as a reliable supplier.

In the view of many, Australian price competitiveness has been compromised by high domestic labour costs, inappropriate exchange rate management, high transport costs, and government policies affecting taxation, depreciation and stock valuation.

On the question of protectionism, it may be thought provocative of Fortress Australia to protest too loudly, particularly as its own reputation for featherbedding inefficient industries is such that Mr John Hyde, the leader of the "dries" in the Federal Liberal Party, felt moved, in August, to proclaim that the Australian economy was so littered with the graces and favours of past governments that it could not function efficiently.

However, it pays to look at what the Australian Deputy Prime Minister, Mr Doug Anthony, who is also Minister for Trade and Resources, said in Canberra in June, when discussing the "virulent" disease of excessive protectionism.

"Australia itself is often protectionist," said Mr Anthony. "There's a pretty vigorous debate going on about our protection policy. But compared with the real 'pros' in the protection game, we're rank amateurs. We've got the most open protection system in the world. Anyone, anywhere, can put submissions to the Industries Assistance Commission. We rely almost completely on the tariff, which is clear for all to see. Where we have quantitative restrictions—in cars and in textiles, clothing and footwear—they are on the record, and they are also decreasing in a planned way to allow greater import penetration with minimum disruption to employment.

"We don't rely on the myriad devices that others do—those so-called 'voluntary' non-tariff measures that keep imports out, or make it virtually impossible to sell. Something like half world trade is now affected by these devices. There's an ever-widening network of subsidies and supports that are choking world trade."

As for Australia's damaged reputation as a reliable supplier, there are clear signs—particularly from Tokyo—that Australia must move fast to improve its industrial relations, mainly because of wage inflation, but also because of the incidence of strikes.

However, Mr Bryan Kelman, chief executive of CSR, the diversified Australian resources group, told a conference in Tokyo in late October that Australian strikes resulted in no more working days lost than those in many other countries.

Yet there is broad agreement within Australia that the country must take firm steps to improved its trade relations, overall its manufacturing industry, and restructure its economy—easier said than done, but imperative, all the same.

Michael Thompson-Noel

Exports of agricultural products and raw materials
($m)

Period	Meats	Dairy produce	Wheat and flour	Dried, fresh and preserved fruit	Sugar	Coal coke and briquettes	Ores & concentrates: Non-ferrous	Ores & concentrates: Iron
1978-79	1,712.6	208.4	809.8	142.2	448.2	1,532.6	1,353.9	967.7
1979-80	1,729.5	324.2	2,199.1	188.0	686.9	1,687.8	1,958.5	1,076.4
1980-81	1,587.0	260.2	1,752.8	209.8	1,146.2	1,980.7	1,964.6	1,117.0
1980-81:								
January	150.4	26.8	182.8	13.4	91.7	167.8	167.9	97.1
February	84.3	21.3	236.4	5.8	75.2	161.1	145.9	80.1
March	108.9	20.6	175.3	7.5	63.9	158.0	141.0	76.8
April	136.6	15.1	116.9	17.1	118.3	236.7	146.1	80.1
May	115.0	25.7	139.1	21.5	200.2	199.5	214.6	84.0
June	146.2	22.7	118.4	24.6	35.4	242.2	165.6	97.5
1981-82p:								
July	105.7	20.2	114.6	21.4	62.0	172.3	181.0	90.0
August	133.7	19.1	58.7	19.5	157.0	226.6	189.4	121.2
September	110.2	18.3	98.7	15.5	110.8	145.8	168.6	109.1
October	110.8	22.5	90.4	17.5	71.8	213.6	152.4	73.1
November	100.8	24.2	77.7	9.2	52.2	182.5	134.8	128.1
December	87.5	16.4	82.3	8.4	74.5	197.4	177.6	85.8
January	88.4	21.0	129.8	10.9	56.4	198.7	154.9	72.1
February	103.2	30.4	189.2	9.9	41.9	170.9	163.0	143.2

p Provisional estimate.

Profit margins tightening

INTENSE competition for a slower growing consumer dollar and a push for expansion through acquisition have marked the Australian retail scene for the past year.

Although retail sales went ahead by 14.3 per cent for the year to June 30, to provide real growth of around 3 per cent, the jockeying to retain or increase market share saw margins tighten and in some cases evaporate.

The level of real growth for the year compares with a 5 per cent rise for 1980-81, and was matched against rises in wages closer to 7 per cent in real terms and steep increases in most utility charges — ahead of both the 11 per cent inflation rate and the growth in retail sales.

With these pressures the obvious answer for some was to seek the benefits of scale and to tie in to growth areas through acquisition, a well trodden path which this year left its own casualties.

Retail sector

The initial focus for these efforts was Norman Ross, an innovative newcomer with discount electronics, electrical goods and furniture. The first to chance its arm was Grace Brothers, a venerable Sydney-based departmental store group, which by making its intentions obvious itself became the object of desire for three other retail groups.

With its ambitions for Ross, Grace crossed swords with Waltons Bond, controlled in recent years by Mr Alan Bond, the agile Perth entrepreneur who controls Bond Corporation. Waltons moved for Ross and at the same time secured almost 20 per cent of Grace, resulting in Grace selling its 57 per cent Ross holding to Waltons in a deal valued overall at A$23m.

At the same time Adelaide Steamship, controller of David Jones, another Sydney-based departmental store group, stepped in to take a similar stake in Grace alongside the Grace family and a Malaysian "friend," Tan Sri Khoo Teck Phuat, owner of the Travelodge motel chain in Australia.

Then in waded Woolworths with a A$186m bid for Grace which was eagerly accepted by all players. Only Grace Bros. saw profits collapse in its final half year and Woolworths withdrew its offer. Its right to do so is to be challenged in the courts later this month. All heady stuff, but it did little to lift the overlying gloom for most contestants.

Among these players Grace Bros' net earnings slumped by 77 per cent in the half year to June 30 to leave earnings down by 23 per cent at A$13.7m. Despite a 12 per cent growth in sales to A$875m, Plans to sell and lease back property for A$65m were disrupted leaving it with burdensome debt.

David Jones, meanwhile, felt the benefits of an internal recovery after the installation of new management from Adelaide Steamship, although some of the gloss from the 58 per cent jump in annual net profits to A$19m was taken by a 23 per cent drop in the second half.

For Waltons there was a second half loss and a minimal overall retailing profit. Meanwhile, its ambitious property development plants may suffer from the problems of its 14.9 per cent shareholder, Carrian Investments of Hong Kong.

For Woolworths, profits were down by 10 per cent for its July half year to A$14.45m on sales up by 14.2 per cent to A$1.4bn.

The Myer Emporium, meanwhile, was lining itself up as a take-over candidate, were it not that it cannot sell its properties at a reasonable price and its assets are not returning profits.

It suffered its first ever half-year loss of A$6.3m in the period to June 30 to leave annual earnings at 1970 levels of A$18.9m. Sales were 19 per cent higher at A$1.71bn but its major problem was more than A$250m of debt built up to expand operations into liquor retailing, fast food, specialist clothing and supermarkets.

However, the Melbourne-based departmental store group has recently raised A$46m through the sale of an office block and its supermarket chain, some of the latter units going to the largest and consistently most profitable retailer, G. J. Coles.

Coles managed an improvement over the first half for its closing period to end with earnings 9 per cent up for the June 30 year at A$70.2m.

With sales at A$4bn and a clear 50 per cent advantage on its rival Woolworths, Coles continues to flourish on its mix of low price variety stores, the K-Mart discount chain, supermarkets and latterly a shoe store chain.

However, like its rivals, it is gearing up to a Christmas promotional push which all hope will obliterate memories of the 1981 season, the poverty of which established the basis for much of this year's woes.

Lachlan Drummond

PROFILE: ELDERS IXL

A decade of rapid growth

TEN years ago a small group of young and confident men took on the management of an old line jam maker. Today they coolly sit at the controls of Australia's 15th largest company, Elders IXL.

By applying management techniques learned as a consultant with McKinsey and Co, John Elliott, 40, and his team have parleyed themselves into a group which now eyes the world covetously and which plans to reward its shareholders with 25 per cent annual earnings growth.

Behind it all lies Carlton and United Breweries—the largest Australian beer maker and long-time shareholder in the former Henry Jones (IXL)—and the conservatively-stated wealth of Australia's largest and premier pastoral house, Elder Smith Goldsbrough Mort.

Its existence also traces to Mr Robert Holmes A'Court's initial move on Elders almost 20 months ago, which spurred the defensive—and ultimately offensive—strategy from C.U.B. and IXL.

After swiftly moving to form the newly merged operation into five operating groups—pastoral, international, finance, food and materials—and four staff divisions—strategy and planning, investment, administrative and corporate affairs and personnel—the management has undertaken a programme of disposing of surplus assets and directing operations with new vigour.

Expansion

A number of rural properties have already been sold, while the inclusion of the Australian Mercantile Land and Finance activities of Woodhall have lifted its handling of the Australian wool clip from 35 per cent to a little over 50 per cent.

While the Elders and AML and F rural agencies have retained their identities, the new management hopes to expand these services, many of them financial.

It also sees the potential for computerised information on world markets to be spread to the man on the land and increased advisory data on husbandry. As well, Elders-AML and F intend using their combined buying strength to win better prices for a larger range of merchandise for the farmer.

Both already enjoy close relations with the farmers, no less so than through their financing role as they cash-up graziers and farmers in light of seasonal demands.

In these operations, ground work by the local agent is channelled through to the finance division, which includes rural finance, merchant banking, consumer finance, and commodity futures trading.

However, Elders has already gone beyond mere commodity trading and with the addition of the Woodhall trading outlets will be pushing its role as a marketer of Australian produce, as well as products from other areas, many of them in advanced technology.

Already it sells Mitel of Canada's PABX system throughout South East Asia from its Singapore base while it believes it must tackle the 'harder' trading nations if it is to win the necessary rewards.

Back in Australia there is also jam, tinned and bottled food, margarine and frozen foods—"a good steady earner"—and the materials group—a mixed bag of steel stockholding, malt and hops, civil engineering and building materials, as well as its 20 per cent stake in Bridge Oil and its ambitions for cable and subscription television.

L.D.

The Australian motor industry is likely to see its 1982 sales total beat even last year's peak figure.

Surprisingly sturdy sector

WHILE THE receivers have donned overalls in a bid to restart International Harvester Australia, the Australian motor industry is preparing to roll into the pits at the end of a record run.

Although the last lap to the end of the year will be far from easy, with demand rapidly softening, sales gains already made should ensure that the 1981 peak level of 606,000 units is surpassed even if by less than a percentage point.

The surprising sturdiness of sales against the poor levels of consumer spending and the sharp declines in housing can almost be entirely attributed to interest rate movements.

While most other forms of finance have followed an upward spiral as Australia begins to follow world trends, motor industry finance rates have remained relatively unchanged. Buying a car has, therefore, been a more viable proposition than taking up a mortgage with bank and building society lending tight and rates high.

Comparisons

However, the shine has come off the market recently with September sales down by 12.6 per cent on August on straight comparisons, and 5 per cent after seasonal adjustment. Some of this fall was attributable to the rush of discounting offers in August when General Motor-Holden (GM-H) introduced a new medium car and other groups moved to maintain market share, part of it at least at the expense of sales for September.

These efforts to spur sales through price-cutting came as the first signs of the potential problems of the softening market emerged. Producers' stocks have already reached 2.4 months of sales — or about A$450m—compared with about 1.7 months a year ago.

But stocks remains below the 1979 downturn level when the figure approached 3.1 months, with resultant severe cuts in output in late 1979 and early 1980.

Production rates are being trimmed, with Australian Motor Industries, the Japanese Toyota affiliate, recently announcing plans to shed workers, and all major local production groups — GM-H, Ford, Mitsubishi, Nissan and Toyota—opting to extend the traditional three-week Christmas shut-down to four weeks.

GM-H has acquiesced to union pressure by keeping no lay-off guarantees until the end of the year, although the company stresses it could not make the same assurances for next year.

It is pointed out within the industry that the latest year represents not a boom but steady growth, which is allied to the belief that there will be a recovery in the second half of next year after a slower period in the next eight months.

But there has been a mini-boom in the light commercial sector, particularly the four-wheel drive segment, where, because of lower tariffs and a lack of quotas, there has been a flood of small, low-priced and mainly Japanese vehicles.

While sales have generally been aimed at the recreational markets, the effects of the drought are expected to be felt in this sector.

Meanwhile Ford, with its highly successful Escort-sized Laser—a re-badged Mazda for Australia—is battling hard to win GM-H's title of overall market leader. So far Ford is ahead with 22.38 per cent of the market against 21.7 per cent for GM-H, although the latter's registrations are building up since its latest introduction.

Meanwhile, International Harvester, afflicted by falling demand for trucks and a dead market for agricultural equipment, remains as a stark reminder of the inherent dangers of Australia's small and crowded automotive market.

Its 23 competitors on trucks and 42 in tractors place it in a special category; but as an essentially locally-sourced high-cost producer it is not alone.

Elsewhere, Government export-import offset plans are seeing a greater emphasis on non-labour intensive items such as engine blocks and general automotive castings for export, with a subsequently increasing amount of job-intensive products such as gearboxes and complete cars being brought in by local producers.

Lachlan Drummond

Moves to tap huge wealth of copper-gold-uranium-silver deposits.

Roxby Downs: two words that sum it all up

Natural resources

FOR MANY, the glamour and riches of Australia's vast natural resources can be summed up in two words: Roxby Downs. It is at Roxby Downs, 460 kilometres north-north-west of Adelaide, in South Australia, that Western Mining Corporation and BP Australia are gearing up for construction of mining and processing facilities with which to tap the huge wealth of the Olympic Dam copper-gold-uranium-silver find, which ranks alongside the very largest mineral deposits in the world.

According to current estimates, the deposit contains at least 2bn tonnes of mineralised matter. It will cost about A$1.4bn (£777m) to develop (in 1981 dollars), and prospective annual production will be around 150,000 tonnes of copper, 3,000 tonnes of uranium oxide, 3,400 kg of gold, and 23,000 kg of silver—valued, in current money, at between A$442m and A$658m annually.

Values

Production is unlikely to start before 1989-90 at the earliest, but that hardly worries the partners, who give the mine a minimum life of 50 years, and say that: "Olympic Dam will be there for our grandchildren."

Yet Olympic Dam is only one among scores of mineral and energy projects whose combined benefit to the Australian balance of payments, between now and the end of the century has been estimated as likely to amount to more than A$100bn (£55.6bn), in 1980 prices.

In addition to copper, gold and uranium, Australia has significant (in some cases colossal) reserves of coal, iron ore, bauxite, natural gas, lead, zinc, silver, nickel, mineral sands, tin, manganese, and so on—as well as opals, sapphires, and the huge Ashton diamond deposit, in Western Australia, which promises to rank as the world's biggest.

In 1961, Australia's mineral exports totalled A$187m. Last year they were A$7bn, accounting for about 37 per cent of total merchandise exports, with the certain promise of much more to come.

In Australia, there is bitterness and concern over the extent to which the country has to date taken its vast minerals heritage for granted, and allowed euphoria — and greed — to jeopardise its position in world markets.

The main fear is wage inflation. Sir James McNeill, chairman of Broken Hill Proprietary (BHP), told a conference in Sydney on September 6 that inflationary wage claims were "facilitated by the so-called doctrine of comparative wage justice," and added: "What a tragedy it will be if history is to record that the principal legacy of Australia's much-envied upsurge in mineral development was a substantial boost to economy-wide inflation."

Other concerns involve Australia's hitherto poor record of public sector infrastructural investment, and doubts over mineral taxation, together with problems that started to surface in the Australian economy last year—not only wage and price inflation but a deterioration in the external balance. Between them these have prompted serious questioning of Australia's ability to handle a major resources boom without inflicting upon itself serious internal dislocations.

In Australia, pessimists are two a penny. Outside the country, a generally shared view is that although the recession and the slump in commodity prices means that a stretching-out of earlier projections is inevitable, the country will, nevertheless, still witness sustained high levels of resource investment past the year 2000. Although this will necessitate major inflows of foreign capital, it will also generate very significant additions to Australia's real exports in the 1990s.

Among numerous studies of likely investment levels in Australian resource projects over the next decade, one of the most authoritative is also the most recent: a long-term investor's view compiled by Mr Ian Worner, head of the investment division of the Australian Mutual Provident Society, the country's largest life office and biggest non-government investor.

Given the magnitude of its own resource investments, which started on a big scale in the 1970s, the AMP is under considerable market pressure to get its sums right.

The value of the AMP's listed ordinary shareholdings held in Australia at December 31, 1981, was A$1.84bn, including A$303m worth of shares in 29 major mining and oil companies — among them Comalco, CRA, EZ Industries, MIM Holdings, Peko-Wallsend, Renison Goldfields, Rio Tinto Zinc, Western Mining, Oakbridge, Howard Smith, Santos and Woodside Petroleum. It also owned A$187m worth of shares in Broken Hill Proprietary, and A$84m worth in the diversified CSR.

Mr Worner's study indicated that among resource projects lined up for the 1980s, 79, worth A$12.74bn, were definite; 39, worth A$8.4bn, had a better-than-75 per cent chance of getting under way before 1990, and 42, worth A$5.8bn, had a better-than-50 per cent chance.

In addition, 29 infrastructural projects, such as power stations and oil and gas pipelines, worth A$11.1bn, were at the definite stage, and an additional five, worth A$5.2bn, had a better-than-50 per cent chance of getting underway.

Adding together the resource and infrastructural projects, the AMP suggests that a total of 148 projects, worth A$32.3bn, are either definite or have a greater-than-75 per cent chance of starting before 1990, while 46, worth A$10.8bn, have a better than even money chance of getting started.

While Australian share markets have reflected the gloom in the international economy since early 1981, it is only in the past eight months that pessimism, in Australian boardrooms, has been replaced by what the AMP calls "unrelenting gloom," the euphoria and exuberance that characterised corporate and political attitudes in recent years having encouraged both governments and workers to try to secure for themselves a larger share of the resources cake before it had even materialised.

"Costs," says the AMP, "have been built into the system which, under present conditions, cannot carry the burden," with the result that low commodity demand, low prices, and high domestic interest rates have greatly reduced mining and resource profits, and driven some companies into the red. Little wonder that numerous development and expansion plans have been deferred, or even abandoned.

Despite all that, committed investment in Australian resource projects will reach new peaks in the 1980s—projects associated with coal mining (especially steam coal), alumina, aluminium, and oil and gas proving the hungriest consumers of capital.

Of the definite resource projects in hand, plus those with a better-than-75 per cent chance of starting before 1990, which the AMP calls "probable," the North West Shelf oil and gas project, off Western Australia, accounts for an estimated A$3.25bn, or 15.4 per cent of the total (A$21.09bn).

Other percentage divisions are bauxite and alumina, 15.7 per cent; aluminium, 18 per cent; coal, 30.8 per cent; oil and gas (other than the North West Shelf), 5.8 per cent; iron ore, 2.9 per cent, and other metals and minerals, 11.4 per cent.

Australian mining expenditure fluctuated wildly in the 1970s, the peak years—for real capital expenditure—being 1971 and 1979. Planned expenditure over the next three or four years will be substantially above historical levels, though it is likely to begin to fall sharply from 1985.

In 1981 dollars, the AMP expects investment in new mining projects to rise from around A$2.8bn this year to a peak of about A$3.6bn in 1984, representing around 2.5 per cent of likely GDP in that year, against a previous peak of 2.2 per cent of GDP reached by mining investment in 1969-70.

Australian coal producers are likely to find that by the time the current investment wave recedes, they are well-placed to meet demand into the 1990s; similarly, with the huge North West Shelf project scheduled for completion by 1987, further major capital expenditure in oil and gas in the late 1980s will depend largely on new discoveries.

The AMP says that the depressed world steel outlook seems to offer little incentive for major new iron ore developments, while the downturn in world aluminium sales has caused the deferment or abandonment of several bauxite, alumina and aluminium projects. (When Alcoa of Australia announced earlier this year that it was shelving its troubled A$1bn Portland aluminium smelter in Victoria—it was called a "temporary deferment, not an abandonment"—one union official called the move a "bloody disgrace," though in truth, doubt had surrounded the project since 1978.)

Investment

"Two areas which might have given rise to substantial new capital investment in the latter part of this decade," says the AMP, "were uranium and shale oil. However, with some stability restored to world oil prices, new oil discoveries moderating demand for oil, and environmental concerns with uranium continuing, there is little likelihood of any major commitments being made in these areas until well into the 1990s."

Expenditure in the construction and heavy engineering sectors is seen as representing about 25 per cent of total new project costs, and will be heavily weighted in the early years.

The AMP says Australia also has an opportunity to develop up-stream processing facilities, provided production and transportation costs are not excessive. "Unfortunately," it says, "the demands of labour and governments, and our growing reputation as an unreliable supplier of goods, are likely to prevent us from realising our full potential."

Michael Thompson-Noel

EXPECTED TOTAL INVESTMENT IN RESOURCE & RESOURCE-RELATED PROJECTS, AUSTRALIA, TO 1990

(A$m, 1981)

Resources	Definite projects: No. of projects	Definite projects: Capital cost remaining ($m)	Probable projects: No. of projects	Probable projects: Capital cost remaining ($m)	Possible projects: No. of projects	Possible projects: Capital cost remaining ($m)
Bauxite/Alumina	5	1,460	4	1,860	1	175
Aluminium	5	1,900	3	1,900	1	550
Iron ore	1	7	1	600	—	—
Coal	41	4,052	14	2,436	20	3,531
Oil:						
North-west shelf	1	3,250	—	—	—	—
Other oil and gas	9	1,215	—	—	—	—
Other metals/minerals	17	860	17	1,554	19	1,417
Coal liquefaction	—	—	—	—	—	110
	79	12,744	39	8,350	42	5,783
Infrastructure:						
Oil and gas pipelines	6	728	—	—	1	150
Electricity generation	16	9,630	—	—	3	4,900
Coal handling	7	692	1	100	—	—
	29	11,050	1	100	4	5,050
Total all projects	108	23,794	40	8,450	46	10,833

Source: AMP.

Japan's long-term resources strategy has always been to avoid an over-reliance on any single supplier.

Huge drop in purchases for Japanese industry

THE TRADITIONALLY close relationship between Australian iron ore miners and their major customer, the Japenese steel industry, is currently undergoing the most fundamental change in 20 years.

Having speot most of the 1960s and 1970s building up their orc imports from Australia, the Japanese are now setting about a drastic reduction in ore purchases from this country.

Ravaged by the international recession, the Japanese plan to reduce tonnages taken from all suppliers, but are clearly asking Australia to bear the brunt of the cutbacks. The steel mills plan to cut their total ore intake this year by 10 per cent, but Australian producers have been told that their toonages will be down by 25 per cent.

This situation has deepened an already growing bitterness between the two countries on trade in resources and not surprisingly it is increasingly getting through to government level.

Yet in retrospect, it is not surprising that Australia should now find itself under pressure to reduce its share of the Japanese iron ore market to about 40 per cent.

Japan's long-term resources strategy has always been to avoid over-reliance on any single supplier. Australia's peak position of supplying nearly 50 per cent of the Japanese ore market in the mid- and late-1970s only came about through a confluence of extraordinary circumstances.

The imperatives were Japan's determination to become the world's biggest steel producer and Australia's ability to supply the required tonnages reliably and at the lowest possible price.

It should not be forgotten that when the Australian iron ore export industry got its start in 1964, the Japanese gave the Goldsworthy partners their first contract mainly because their prices were low. At the time, the Japanese said they would never allow Australia to supply more than 15 per cent of its iron ore.

But the steel industry's rapid expansion increased the Japanese demand for iron ore and a few years later they awarded their second major export contract, this time to Hamersley,

Iron ore

taking Australia's share of the market in 25 per cent.

Japan's need for ore continued to grow as its steel industry expanded in the late 1970s, but the writing has been on the wall ever since Japanese steel output tailed off from its peak of 130m tonnes a year.

Since reaching that level in the mid 1970s, Japan has not produced murh more than 100m toones of steel a year and this year look like dropping below that figure.

This tailing-off has meant that Japan has been unable to take the large tonnages contracted for in more optimistic times, with a result that Australian producers have been battling to hold their shipments at more than 60 per cent of contracted tonnages for the past two years.

In the current year that 60 per cent figure looks like falling . 50 per cent, and although rival suppliers are also being squeezed, Japan's intention to use the recession to diversify its supply base is clear.

The percentage of ore taken by Japan from Australia's major export rival, Brazil, has risen from about 19 per cent to nearly 25 per cent since 1976; and it is destined to grow further, as shown by a major contract awarded in 1981.

Japan could not have signalled its intentions more clearly to the Australian iron ore industry than when it awarded probably its biggest-ever resources contract to the Brazilian Government-controlled group, CVRD.

The contract called for the supply of 145m tonnes of iron ore, to be delivered over 15 years from 1985, and will allow the Brazilians to open the huge Carajas iron ore deposit.

Such a large contract should have banisbed any Australian thoughts of opening a new iron ore mine before 1990, as such a venture would clearly only exacerbate the over-supply situation.

But some major groups are continuing to pressure the Japanese to allow the development of a new Australian mine, even though it has been generally acknowledged that it would not be needed until well into the next decade.

Four consortiums have plans for new mines, two of them being existing producers.

The competing new developers are CSR, with its Yandicoogina deposit; BHP with Deepdale, Goldsworthy, and Robe River with West Angelas.

The latter two projects could be viewed as replacements for Goldsworthy and Robe's existing operations—although this is something of e red berring—but BHP and CSR are digging totally new deposits.

Even the developments being pushed by CSR and BHP would affect the viability of the Mount Newman operation, in which they both have a share.

A fifth possible venture, CRA-Hanwright's Marandoo deposit, has now basically been dropped because CRA believes it could harm the viability of the Hamersley operation, which it controls.

Talk persists that the Japanese may move to nominate a new development before the end of this year, but Australia's keenness in this area would seem to be poor resources strategy. Despite Japanese pressure on Australia's share of its iron ore market, the four major iron ore mines, in the Pilbara region of Western Australia, have fared moderately well on the price front in the past few years.

After a prolonged period when price rises for iron ore sold to Japan remained well below the inflation rate, Australian produrers have received price increases of 7.5 per cent, 8 per cent and 17 per cent in the past three years.

But the price rises have also exposed another of the reasons why the Japanese are keen to enlarge their supply base—Australia's loss of competitive advantage.

Australia's argument that it should not lose its market share because its ore is cheaper has suffered markedly since 1979. At that time, an index of iron ore prices with Australia at 100 saw Brazil at about 116, Canada at 125, Chile at 129 and South Africa at 111.

Following the latest price rise, and the acceptance of a smaller lift by most other producers, notably Brazil, the differential is much smaller. The latest index would put South African ore at about 101, Brazil at 106, Canada at 108, and Chile at 116, against Australia's 100.

Australian producers can do little about the market situation but to compete on landed cost, though Australia's traditional political stability should limit any Japanese diversification moves, especially as most of their other main suppliers are unlikely to solve all their political problems in the short to medium term.

Bruce Jacques

Mineral production and exports

Commodity	Production tonnes	% Exported
Bauxite ...	25.5 *	22
Black coal	111.7 *	46
Copper ...	224.4 †	55
Gold	17.60	42
Iron Ore ...	84.7 *	84
Lead	393.1 †	87
Manganese ore	1,409.4 †	64
Mineral sands ...	2.02 *	78
Nickel	74.5 †	95‡
Tin	12.15†	72
Zinc	517.12†	81

* million tonnes; † thousand tonnes; ‡ estimate.

Coal is still Australia's leading foreign exchange earner.

Exports expected to treble by end of the century

ALTHOUGH under strong pressure from the world recession, the Australian export coal industry is in a rapid expansion phase that will last well into the 1990s.

Coal was Australia's first major export item, and remains its leading foreign exchange earner, but no commodity could better illustrate the exaggerated "boom and bust" syndrome that has pervaded the country's resources development over the past few years.

As it transpired, too much was expected of the industry in the 1970s, when the 1973 and 1979 oil price shocks turned the focus away from traditional coking coal output to steam coal.

The world rush to turn back to coal as an energy source saw a plethora of new developments mooted, both in Queensland and New South Wales, and international investors queued to participate in the ensuing investment boom.

The pace of these developments has now been heavily reduced with the world recession and oil glut combining to limit immediate demand, although medium and long-term prospects remain strong.

Australia's "coal rush" of the late 1970s was spurred by the release of a major study of likely world coal demand by Prof Carroll Wilson, of the Massachusetts Institute of Technology. The study, entitled WOCOL: Coal, Bridge to the Energy Future, was released when reaction to the 1979 Iranian oil shock was at its peak.

Forecasts contained in the study, which became required reading for coal investors, were broadly supported by groups like the OECD and the International Energy Agency.

WOCOL foresaw world demand allowing both Australia and the U.S. to export more than 200m tonnes a year of steam coal by the end of the century; and while the recession may have set back demand by anything up to half a decade, the forecasts appear to remain valid simply because the world is unlikely to be able to meet its energy needs from other sources.

Thus world coal demand is likely to double in the next decade, and Australia will probably be called on to export at least 150m, and possibly 200m tonnes by the end of the century.

The lower figure would represent a trebling of Australia's current annual coal exports of around 50m tonnes and the higher figure a quadrupling.

So even if the timing and ultimate size of this demand turns out to be disappointing, the Australian coal industry will still be operating in conditions of rapid expansion.

Not surprisingly, much of the debate surrounding the industry in recent months has concerned the great physical problems of lifting production quickly to these levels. These problems, as much as the current demand hiccup, have caused the previous boom mentality to evaporate.

The Australian Coal Association has for some time been expressing serious doubts about whether Australia could keep up with the infrastructural requirements of the expansion envisaged. In a recent submission to a Federal Senate committee in Canberra, the association said that to mine 250m tonnes of coal (both for domestic consumption and exports) by early next century would require an investment approaching A$20bn.

Coal

This would mean investment in coal alone of about A$1bn a year, escalating with inflation, for the rest of the century. The ACA submission also made brief remarks, which now seem prophetic, on other problems which coal expansion would bring, saying: "There has been a tendency for the community to assume that the coal export bonanza will fall automatically into Australia's lap.

"This, unfortunately, is a myth. It is possible that the potential benefit will be largely nullified through ill-defined taxation systems, through delays and muddle in providing infrastructure, and through endless round-robin strikes by a succession of different union groups.

"It must be recognised that coal is a widely-held resource and international competition in overseas markets will be keen."

Seldom has an industry prediction proved more accurate. Governments at all levels have imposed heavy taxes on the Australian coal industry, even though the only boom so far has been in spending, while the unions have won massive wage increases.

Other problems have included long periods of chaos in rail and seaport services, although this has been mainly confined to the New South Wales coal producers. Recently, however, there have been signs of moderation at all levels with federal and state governments removing levies on the industry and rail and port services improving as important works have been rompleted.

At one stage, more than 50 ships were lying at anchor off the port of Newcastle, NSW, because of transport delays, causing demurrage bills to run into tens of millions of dollars.

Now most ports are operating smoothly, and despite some labour problems, time lost has been cut and a recent moderate wage settlement has reduced some of the pressure on coal producers. With much of the recent strife confined to New South Wales this has allowed the extensive open-cast steam coal projects in Queensland to benefit most from increased demand.

The basic reason for this is that the Queensland mines are mainly open-cast, thus offering efficiencies of scale, while many New South Wales mines are older underground workings which are in the process of being phased out in favour of open-cast. Queensland has also been spared many of the rail and port problems experienced in New South Wales.

While the fall in Australia's share of new coal demand partly reflects the wishes of customers, mainly Japan, to diversify their supply sources, it is also a result of a decline of the country's competitiveness. Although Australia is much nearer to Japan than Canada, the U.S. and South Africa, the freight cost of landing Australian coal in Japan has caught up with that of its competitors.

Australian coal is now being landed in Japan at an average cost of about $A55 a tonne compared with A$51 for South African, A$61 for Canadian and A$63 for U.S. coal.

Clearly, the Australian industry will have to work hard to keep its current market share, but perhaps a couple of statistics best show that it has great growth potential, despite some cost problems.

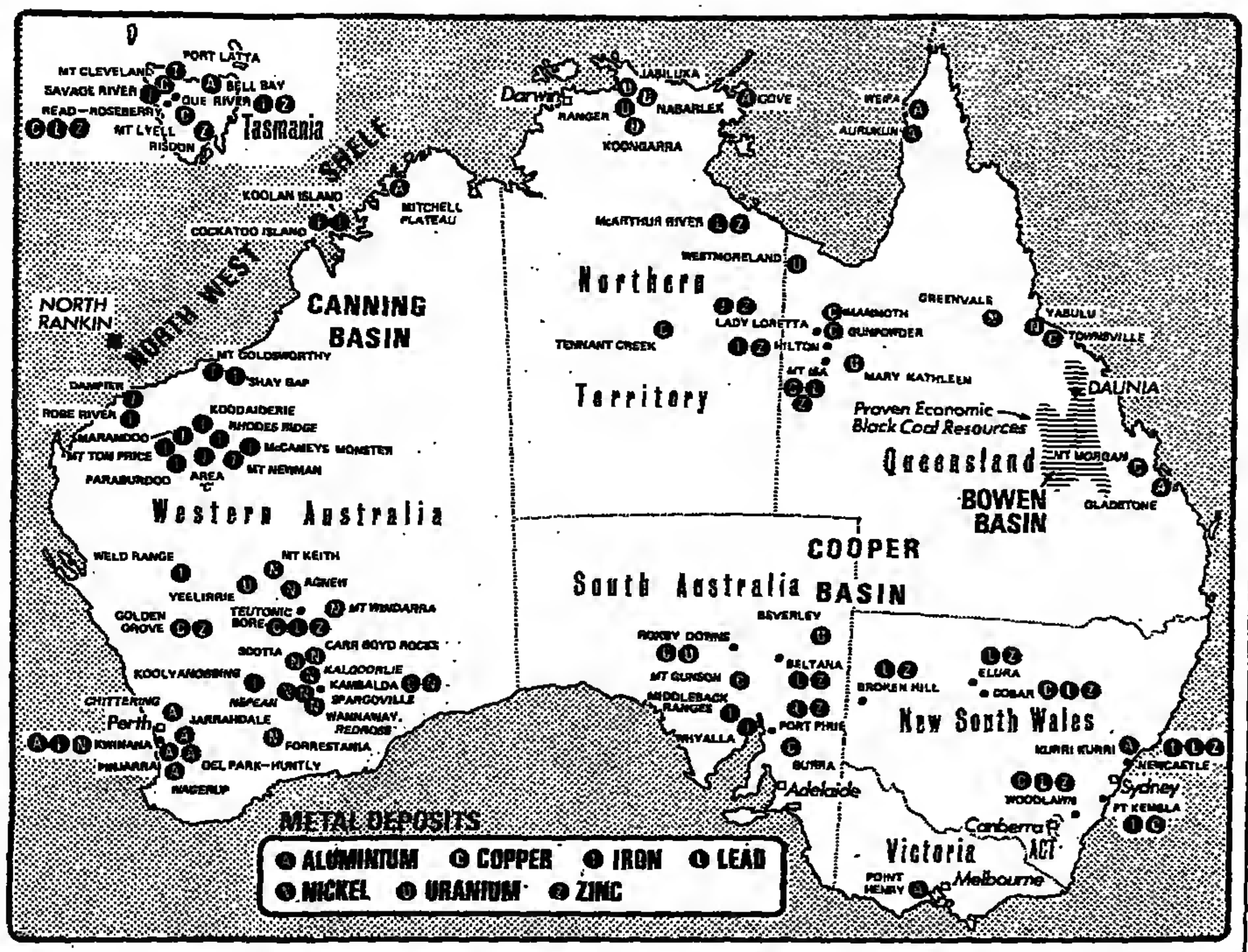
According to the WOCOL study, Australia will be shipping at least 75m tonnes of steam coal a year by the year 2000. In 1977 the country's steam coal exports were just 4m tonnes.

B. J.

Outcome of environmental and political disputes awaited

Future role in political melting pot

Uranium mining



AUSTRALIA has the potential to become a major supplier of uranium if the world nuclear power generating industry regains its momentum.

But predictions as to the future role of uranium in the Australian economy are severely hedged about by the possibility of growing environmental concern within the country, and the possibility of serious political disputes.

This was confirmed, yet again, when the Liberal-National Party Government announced last month that foreign interests would be offered up to 50 per cent of the equity if and when Australia made progress with plans for building a uranium enrichment plant.

Plans for such a plant are being studied by the Uranium Enrichment Group of Australia (UEGA), a consortium of BHP, CSR, Western Mining, and Peko-Wallsend. At present, site evaluations are concentrated in areas near Brisbane, Queensland, and Adelaide, South Australia, though the Northern Territory State Government is expected to continue to press its case.

The Federal Treasurer, Mr John Howard, said the Government's decision on non-Australian equity involvement was based on realisation that substantial foreign capital would be needed for the project.

The Deputy Prime Minister, Mr Doug Anthony, who is also Minister for Trade and Resources, said that although prospects for uranium enrichment were not favourable at present, they could well improve significantly by the 1990s.

The Australian Labour Party replied that it was totally opposed to enrichment plants and that none would be permitted under a Labour Government, though earlier this year, at its national conference in Canberra, the ALP was reckoned to have softened its former opposition to uranium mining.

But this is not so, even though senior mining executives doubt that Labour, if voted into power, would actually tear up uranium mining and export contracts. Yet according to a statement by the Minister for National Energy and Development, Senator Sir John Carrick, dated July 8, 1982: "Under the ALP's 'revised' policy there is no future for the uranium industry in Australia. At best its death (will be) perhaps a little slower. There will be no new contracts, no new investment, no new jobs. How can this be called a 'softer' policy?"

Significant exploration for uranium in Australia began in 1944 and production in 1954. Until 1980, estimated reserves in the "reasonably assured" category, recoverable at less than A$80 per kilogramme, were put at around 295,000 tonnes, about 16 per cent of the West's total in that category, though they have since grown significantly.

Australian exports are still small, in terms of the world uranium trade, though it is felt that the country's large low-cost projects should be able to exploit the expanding demand expected in the late 1980s and early 1990s.

According to the Bureau of Mineral Resources in Canberra: "Recent developments in the market have given rise to concern that current investment in exploration and development may fall short of the levels required."

But early estimates that Western Mining and BP Australia's huge Olympic Dam copper-gold-uranium-silver deposit in South Australia contains at least 1.2m tonnes of uranium oxide have transformed the picture. Yet the deposit is relatively deep, starting at about 350 metres down, which means that Olympic Dam's reserves could be substantially upgraded after further exploration.

Apart from Olympic Dam, the Federal Government recently gave final approval for opening of the big Jabiluka uranium mine (Pan-Continental Mining and Getty Oil Development) in the Northern Territory.

Mr Anthony said that agreement to sink the mine meant that Australia was again on the map as a major world uranium producer, with initial output expected to be about 4,500 tonnes a year. He added: "Jabiluka is a world-ranking uranium deposit with total estimated reserves of more than 200,000 tonnes, and mining could now proceed in harmony with the aboriginal people and the environment."

Other important uranium mines either in production or scheduled to begin producing include Raner and Nabarlek, in the Northern Territory, and Yeelirrie, Western Australia.

Michael Thompson-Noel

A sparkle in a depressed industry

Gold/diamonds

ONE of the oldest minerals ever mined in Australia and a source of great wealth, along with one which is soon to be mined and is about to create equal wealth, are two of the bright spots in the local mining industry. The two are gold and diamonds.

With most of the local mining industry in dire straits because of the downturn in world demand and prices, the two stand out as potential money spinners this year despite their own price vicissitudes.

With the first commercial production of diamonds in Australia now only weeks away the CRA-led Ashton joint venture in the north-west of Western Australia is about to reap its first cash flow.

According to the best estimates of the partners, CRA, Ashton Mining and Northern Mining Corporation, the joint venture could begin producing revenue next year at about A$50m annually.

This is a small start for the Ashton partners, which now probably have the biggest new diamond mine in the world, although gemstone counts are low and industrial stone counts high.

Initial production from the area will be from alluvial and scree deposits and is expected to produce 5m carats annually in full production.

But far more important for the partners will be the later mining of the most explored kimerlite pipe in the area, the Argyle pipe, where production is expected to be 25m carats a year and the average grade around 8 carats a tonne.

The partners in the Ashton venture are currently completing research for the final feasibility studies on mining of the Argyle pipe and tying up details of the marketing arrangements, both independently and through De Beers.

They are half-way through a programme of sinking six small shafts on the prospect to provide much larger bulk samples from depth in the Argyle or AK-1 pipe than could be obtained from the large core drilling programme.

The joint venturers will be better able to obtain an idea of grades throughout the pipe from the larger samples.

But mining of the Upper Smoke Creek alluvials now only awaits the final approval of the Western Australian Government for a go-ahead and this is expected within a few weeks.

Two of the partners, CRA and Ashton Mining, which hold a 95 per cent interest in the joint venture, have formed Argyle Diamond Sales to market their shares of production. Argyle Diamond sales is 60 per cent owned by CRA and 40 per cent by Ashton. The third partner, Northern Mining Corp, will market its share of production independently.

Average value

In their latest report the Ashton partners indicated average value of Argyle alluvials was $11 a carat while the average value of diamonds recovered from the Argyle AK-1 pipe was $6.50.

The largest diamond recovered from AK-1 surface sampling was 12.7 carats, while an industrial stone of 16.35 carats was recovered from Upper Smoke Creek.

So far as Australian gold miners are concerned the world price has recovered enough at its present levels to warrant increased production from existing mines.

It has also led to a slightly increased exploration effort, with most companies believing that the gold price will rise substantially in the not-too-distant future.

For one company, Western Mining Corp, the biggest gold miner in the country, gold looks like providing its best financial return in a year of low world prices for its other major product, nickel.

In 1981-82 the company lifted gold production 63 per cent to 290,840 oz and this year is expected to lift it another 35 per cent or a further 100,000 oz.

With recent new discoveries and additions to reserves it is likely that the company's gold production will increase even further in 1983-84.

Peko-Wallsend is another major mining group relying on increased production of gold and higher prices to help it through the troubles that have plagued it in recent years.

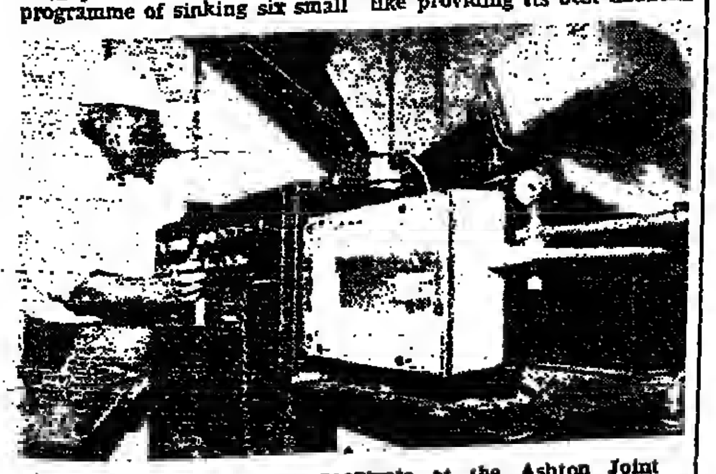
At its Tennant Creek mines in the Northern Territory it has closed its massive lossmaking copper operations to concentrate on gold and the mines are now operating profitably and efficiently on that basis.

CRA is also seeking government approvals in the state of Victoria to test a method of cyanide-based chemical recovery of the mineral which could lift the state to its 19th century glory as a gold producer.

Other major gold producers include the Poseidon-operated Mt Charlotte Mine (100,000 oz a year), its Fimiston leases (50,000 oz) and the BHP-operated Telfer mine in Western Australia (40,000 oz).

In Papua-New Guinea Bougainville Copper also produces 300,000 oz a year from its BIS copper-gold mine.

Ian Perkin



Sorting diamonds from concentrate at the Ashton Joint Venture in north-western Australia.

PROFILE: BHP

The Big Australian: industry's barometer

FOR MANY Australians, the best barometer of the industrial and resources climate Down Under is the Big Australian itself — Broken Hill Proprietary (BHP), Australia's largest company and biggest manufacturing employer. With annual sales of A\$5bn (£2.8bn), it remains largely Australian-owned, its interests covering mining, minerals processing, steelmaking, oil and natural gas production, and general manufacturing.

Given its near-monopoly position in Australian steelmaking, BHP is feeling its way gingerly at present — the lay-offs and losses in steel having created most of the Big Australian's current woes.

In the year to May 31, 1982, BHP's total net profit slipped by 25.8 per cent, to A\$364.5m, most of the trouble occurring in steel, where a profit of A\$105.6m in 1980-81 was transformed into a loss of A\$12.6m.

On the plus side, new minerals projects lifted group export sales in 1981-82 to a record A\$1.06bn: capital expenditure totalled A\$906m, mainly to improve steel productivity and quality, as well as develop new coal, alumina, and oil and gas production.

On the debit side, a roll-call of BHP's problems summarises many of those at present afflicting the Australian mining and manufacturing sectors: wages rose by 20 per cent; group employment fell by 5 per cent, to 72,000 (and is in the process of falling further): union pressure to reduce hours of work increased; and time lost through stoppages and disputes remained high.

Profit

More recently, the Big Australian has issued a maiden quarterly report, showing a profit, for the three months to August 31, of A\$86.3m. The oil and gas division displayed a profit of A\$68.5m, whereas steel showed a first-quarter loss of A\$9.8m.

In Australia, there has been criticism of BHP's investment performance in steel, one editorialist claiming that "as a result of past shirking of crucial investment decisions, BHP is now faced with an obsolete, inefficient production plant and the need to decide on very large reinvestment or abandonment measures at an exceptionally difficult period (for) the world steel market."

The criticism was echoed by the Australian Labour Party spokesman on industry and commerce, Mr Chris Hurford, who claimed there was evidence BHP had neglected its steel operation because of its more profitable involvement in oil and gas, and who maintained that the Fraser Government's decision to permit steel imports in the current year at their 1981-82 levels — thus overturning BHP's earlier plea for aid by way of higher protection levels against cheap steel imports — was in effect a decision to strangle the domestic steel industry slowly.

The Big Australian has been nothing if not frank. In July, at a Confederation of Australian Industry forum in Sydney, BHP's chief general operations manager, Mr. W. B. Burgess, said that some of the factors contributing to the steel division's difficulties were home-grown — among them, the huge rise in hourly earnings in the last year, and the even larger increase in unit wage costs.

According to Mr Burgess: "By the last quarter of our financial year, wages and bonus payments at our steelworks were 18.5 per cent up on a year earlier, with the 38-hour week and the A\$14-a-week metal trades award yet to come. At our steel division collieries and quarries the increase has been still more spectacular — 25.9 per cent."

Fortunately for its 178,000 shareholders, BHP's troubles in steel are counterbalanced by its oil and gas interests, notably its partnership, with Shell and others, in the North West Shelf project, off Western Australia, and its involvement, with Esso, in Victoria's Bass Strait. In Bass Strait alone, BHP's share of development expenditure in 1981-82 approached A\$113m, while in the Gippsland Basin, Victoria, a three-year drilling programme, in concert with Esso, is likely to cost total of around A\$150m.

Outside Australia, BHP is exploring for oil in the mountainous jungle of Papua New Guinea (where it also has a 30 per cent share in the A\$1.5bn Ok Tedi gold and copper project), and is part of a group bidding for exploration rights in the South China Sea and Yellow Sea, led by BP as operator.

M. T-N.

Australian oil supplies two-thirds of the country's needs

Production now close to 400,000 barrels a day

AUSTRALIAN oil output is now supplying about *two-third's* of the country's demand for crude and it is expected that this level *will* be maintained for at least the next three years.

Production is running at close to 400,000 barrels a day, mainly from the large fields operated by Esso-BHP in the offshore Gippsland Basin in Bass Strait, between the coasts of Victoria and Tasmania.

Bass Strait is the site of Australia's only major oilfields and *after 12 years of production* they still contain 1.94bn barrels of oil, according to the latest assessments.

Other producing fields are relatively small. The Barrow Island field off Western Australia has reserves of about *80m* barrels, while small fields in the Bowen and Surat basins off Queensland have cumulative reserves *of 4.7m barrels.*

Bass Strait output, at slightly more than 140m barrels a year, accounts for over 370,000 barrels a day, with the other fields making up the balance.

Despite a high success rate in exploration over the past few years, no prospects have yet emerged for a repitition of the original Bass Strait discoveries.

This failure has caused concern about long-term oil supplies from indigenous sources, leading to generous Government *policies* to encourage oil exploration.

Although there is an export embargo on crude oil produced in Australia, *a guaranteed home* market exists for any discoveries under a formula which requires oil refineries to *purchase domestically-produced* oil in proportion to their share of the market for refined products.

Oil prices are determined by reference to the Saudi Arabian price for light marker crude, with Government levies determining the price actually received for production from any oilfields discovered before 1976.

Levies are arranged in such a way that small fields producing less than 2m barrels of crude annually receive an "import parity" price less a \$3 levy, while large fields, producing over 15m barrels a year, receive an indexed price.

Import parity is currently set at A\$25.46 a barrel, so that *small* producers are receiving A\$22.46 for their production and large field production is attracting *A\$8.03 a barrel*.

To encourage exploration, the Government is offering full import parity price for output from new discoveries made since 1976.

The first major test of the policy will come next year, when new oilfields discovered in the Cooper and Eromanga Basins in Central Australia begin production, and the recent Fortescue oil field discovery in Bass Strait begins producing on a limited basis.

The Cooper Basin liquids project represents an investment of nearly A\$1bn aimed at exploiting 300m barrels of oil and natural gas liquids. Production from these fields is due to start early in 1983, and to rise to 30,000 barrels a day.

Oil output

It will represent the first major addition to Australian oil production since the Mackerel *oilfield* in *Bass Strait began* production in 1980.

Fortescue, due for full production in 1984, should add more than 50,000 barrels to daily oil production, but most of its output will offset a decline in ouput from the existing Bass Strait fields.

These two developments, together with smaller production *increases from the Surat Basin* and the newly-discovered Blina oil field in the Canning Basin, Western Australia, will prevent the previously expected decline in self-sufficiency.

On currently known reserves and development planning, Bass Strait production is expected to start declining sharply after 1986. Renewed exploration and the *improving prospects of* finding a number of small fields in Bass Strait may defer the start of the decline, however, if *more optimistic assessments* of the odds are taken into account.

Esso, at least, is confident that the exploration will pay off. Its exploration director, Mr Ken Richards, has forecast that production could be maintained until at least 1988 and possibly *to 1990.*

Because of the age of the continent and its thin sedimentary cover, Australia has long been regarded as having poor prospects for major oil discoveries, and the upsurge in exploration in recent years has tended to confirm theories that the continent is "gas-prone" rather than "oil-prone."

Certainly, gas reserves are far greater than the current demand, to the point that a number of new gas field discoveries, particularly in Western Australia, have not been fully exploited.

Gas reserves are to supply the needs of the two main industrialised states, New South Wales and Victoria, until the *year 2000, and the smaller* Western Australian market until well beyond that date.

South Australia has been using natural gas for generating electricity and faces a shortage beyond 1990, while in Queensland recent discoveries indicate that the state might soon become self-sufficient in natural gas.

The country's major natural gas development is the North West Shelf venture off the coast of Western Australia. *Construction and development are* well advanced on the first phase, to supply gas to the domestic market, while *negotiations continue on the liquefied* gas export *phase* of the project.

Recent negotiations have led the Japanese companies Mitsui and Mitsubishi to buy into the export phase, reducing the direct stake of the Woodside Group. Woodside's status as 50 per cent owner of the project, even though it is basically an exploration company with no cash flow, has caused difficulties in getting the huge project started.

Now, with Woodside reduced to a one-sixth share — the same as Shell, BHP, British Petroleum, California Asiatic, and Mitsui and Mitsubishi—progress towards financing the development is expected to be that much quicker.

Peter Maher

High hopes as projects reach record level

OIL EXPLORATION in Australia reached a record level this year but there are already signs that activity may have peaked, at least for the time being.

Explorers drilled *120* wells in the first half of 1982, giving the impression that they would meet optimistic forecasts of 245 exploration wells for the year as a whole.

In fact, the 157th exploration *well* was completed in August, bettering the boom year of 1965 when 156 wells were drilled in Australia and around its coasts.

The exploration effort has been given impetus by Government policies which guarantee world prices, based on Saudi Arabian light crude prices for new oil discoveries, and a guaranteed market in Australia.

There are also tax concessions which allow oil exploration expenditure to be offset against income tax from *any source* for tax purposes, and provide a rebate of 30 cents in the dollar for oil exploration spending.

These policies have provided much of the encouragement for renewed exploration activity which, despite Opec oil price increases, had sunk to a mere 19 wells in 1976.

In the changed circumstances, exploration has spread significantly to all the major sedimentary basins in Australia, after being restricted in the *mid-1970s* to *established* oil-producing areas of Bass Strait, Barrow Island and the Surat Basin, plus known gas provinces in the Copper Basin and on the North West Shelf.

Success in these early stages fed on itself as new discoveries were made in the Canning Basin, Western Australia, and in the Bonaparte Gulf, Northern *Territory*, while new gas discoveries were made in the Perth and Carnarvon Basins, Western Australia, and the Rolleston Trough, Queensland.

Perhaps the two most important advances of recent years were the discovery of oil in the Eromanga Basin of Central and Northern Australia, and Home Oil's Blina discovery in the Canning Basin.

Before 1978 the Eromanga Basin was largely written off as water-saturated, while explorers probed and assessed gas reserves in the underlying Cooper Basin in the *southern* section of the Eromanga.

Small discoveries at the Namur gas field and Strezlecki oil field led to a complete reappraisal of the Eromanga, and later discoveries have formed the basis of the A\$1bn Cooper Basin scheme.

The scheme is due for completion next year, and in the short term will add about 30,000 barrels a day to present Australian oil output of 400,000 b/d.

Eromanga has also emerged as perhaps the hottest prospect in Australian oil exploration, the sheer size of the basin indicating that *it will* be many years before the "best plays" in the area are tested.

Blina, although a small discovery capable of producing about 2,000 b/d, has added a new dimension to the search. It is the first discovery made in Devonian Age carbonates, and the first commercial find in the Kimberley region of North West Australia.

Much attention is likely to be paid to the complex and extensive Ancient Reef system in the Canning Basin and will perhaps open up new plays in Queensland, where evidence of *similar* buried *reefs has been* found.

Exploration

Outside these two areas exploration activity is being dominated by newly-released exploration acreage in Bass Strait and by the low-cost search for small oil fields in the Surat Basin.

Three small pool discoveries made in Bass Strait in the past year, as well as the finding of oil in zones beneath recognised oil traps in the top of the Latrobe structure, have renewed *enthusiasm for* Bass Strait.

The general impression is that the original explorers, Esso and BHP, *drilled their* best shots before relinquishing the acreage; but recent discoveries have shown there is scope for new ones, even if they are smaller than the giant Halibut and Kingfish fields or the medium-sized Fortescue discovery.

The Australia-wide success rate in drilling has been high, with 20 genuine wildcat discoveries of oil and/or gas in the first half of this year, following a success rate of one in four for the whole of last year.

All the *finds* have been *of* small oil or gas fields and, while not yet making much contribution to total Australian oil and gas resources, have given strong encouragement to prospect in what still remains an under-explored continent in terms of the search for minerals.

Even so, recent developments *suggest* that the *industry is* about to reduce its activities. Of the 40 land rigs operating in the country, 25 were not in operation by mid-October, and 15 of those laid-up had little prospect of new work in the short term.

The offshore scene was a little brighter, with eight *rigs* operating and another *two* scheduled to arrive in Australian waters before the *end* of the year.

Seismic work *has* already begun to decline. *The* number of crews is *being* reduced in moves which suggest that it may be *some time* before exploration recovers fully from the slowdown.

Most *industry* observers attribute *the slowdown* to the unfavourable effect that high *interest* rates are having on the *fund-raising* ability of speculative exploration ventures. Certainly, small explorers, who rely solely on the share market for funds, are having difficulty while investors are becoming much more selective in deciding who to back and when to back them.

The *oil* glut has contributed only marginally to the slowdown. Oil prices are based on the U.S. \$ Saudi Arabian light price and have been rising because of the effective 17 per cent devaluation of the Australian \$ against the U.S. currency so far this year.

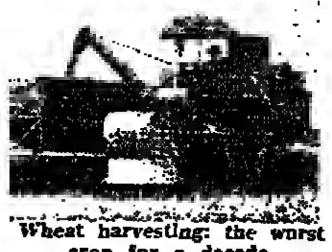
But the industry generally expects the tempo of exploration to pick up again as interest rates fall and money for high-risk ventures becomes more readily available.

P. M.

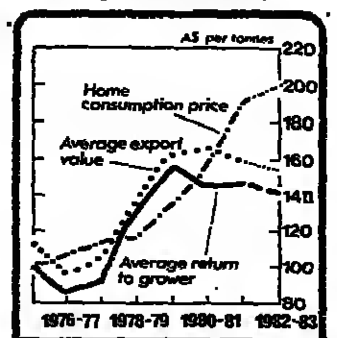
AUSTRALIA IX

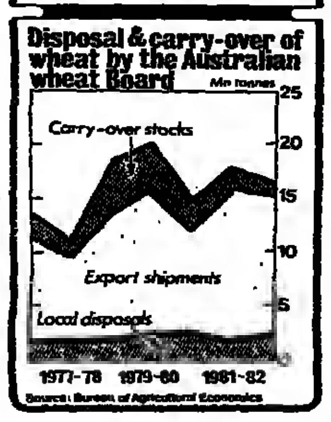
Hard-hit agricultural sector struggles against not only drought but rising costs and poor world prices

Farmers facing worst drought of the century



Wheat harvesting: the worst crop for a decade.





Agriculture

NATURE HAS dealt Australian farmers an unusually savage blow this year. Squeezed between escalating farm costs and poor world prices the country's agricultural sector is now reeling from what many say is the worst drought this century.

Australia may be the world's driest continent (around a third of its land mass is classified as desert) but now vast tracts of some of the country's best agricultural land in Eastern, Central and Southern Australia have been stricken by a seemingly unprecedented lack of rain.

Lakes, rivers and creeks have dried up, sheep have had to be prematerly slaughtered and hundreds of thousands of acres planted to wheat have just not been harvested at all. Up to the middle of October many parts of the country had seen little or no rain for almost four years.

The worst hit state has been New South Wales, which normally accounts for around a third of Australia's farm output. Virtually the whole state—apart from a narrow coastal belt—has been declared drought-stricken. But other prime wheat, sheep and cattle producing areas in Queensland, Victoria and Southern Auatralia have also been badly affected.

At a time when the rest of Australia's economy is suffering the deprivations of recession (weak demand, high unemployment and production cut backs), the agricultural statistics make double depressing reading.

- Almost half the nation's 170,000 farmers have been hit by the drought.
- Some 80 per cent of New South Wales has been declared drought stricken. About 53 per cent of Victoria's rural enterprises and 21 per cent of South Australia's have been affected, and 55 per cent of Queensland's farmers have been hit. Only Western Australia has escaped the drought.
- The National Farmers' Federation says farmers terms of trade are at their lowest level for 30 years.
- The real net value (the value of output less costs adjusted for inflation) of Australian farm output in 1982/83 is likely to be around 50 per cent down on last year's A$4.12bn outcome, the lowest level since the Bureau of Agricultural Economics started collecting figures in the mid-1950s.
- Crop production is expected to fall 28 per cent, with the all important wheat crop slumping from 16.3m tonnes last year to around 8.9m tonnes in 1982/83—a fall of 45 per cent.
- The value of total farm exports is expected to fall 7 per cent to A$7.4bn, with wheat exports falling 11 per cent to A$1.55bn. Only high stocks resulting from last year's excellent wheat crop have prevented a much more dramatic overall decline.

The drought scene at Walgett, New South Wales.

Australia is no longer a nation whose economic success is largely determined by farmers and sheep shearers. Manufacturing and the tertiary sector—financial and other services employment—each accounts for a much greater proportion of gross domestic product than the 6 per cent contribution made by the farming sector. The farm workforce, too, has declined steadily since the war, from around half a million to just 350,000 now. Nevertheless, agriculture still plays a crucial role in Australia's economy, and the sector's woeful performance this year is already making itself widely felt.

The National Farmers' Federation estimates that as many as 3m people, or 20 per cent of the nation's population, is directly or indirectly dependent on farming for its livelihood. The drought is having an adverse effect on employment, investment and sales of farm machinery, while sales of fertiliser, chemicals and consumer durables in rural areas is flagging.

Farm groups estimate that the drought could cost Australia's national economy A$6bn when the flow-on effects from the decline in rural production are calculated.

As the country's largest foreign exchange earner, agriculture plays an even more important role in the country's export economy. Australia is the world's biggest exporter of wool and beef, and a major exporter of sugar and wheat. Despite an expected 21 per cent fall in the value of grain exports this year total agricultural exports are expected to be down just 7 per cent from last year's A$7.9bn.

The picture could have been much worse. Had it not been for large wheat carry-over stocks following an excellent harvest last year (the second highest on record), the likelihood of improved meat sales (mainly due to premature slaughterings because of the drought) and an increase in dairy exports, the 7 per cent drop in farm export earnings would have been much greater.

Now Government economic planners are beginning to look forward with some trepidation to 1983-84. If the drought continues—and for the moment at least it shows few signs of abating—the fall in farm export earnings could be dramatic, perhaps leading to balance of payments problems. Farmers and bureaucrats alike are looking anxiously to the heavens for a sustained downfall of rain and a sign that providence has not deserted them.

Meanwhile the government is likely to spend around A$300m to A$400m on drought aid this year, and farmers are using the crisis to argue for a better deal from the government, which they say has for too long favoured an inefficient industrial sector and become too star-struck with the glamours of mining. A high exchange rate policy and protectionism has, they say, worked to the serious disadvantage of agriculture.

Says Jim MacNamara of the National Farmers' Federation: "We believe that Australia could double its wheat production in less than two decades given the markets and the right encouragement from the government. We're already the world's biggest exporter of wool and the single biggest exporter of beef. We're now saying to the Government that they've taken us for granted too long. We've got tremendous potential. What's urgently needed is a major review of the agricultural sector."

Richard Cowper

No agreement yet on much-needed reforms

Beef industry

THE AUSTRALIAN beef industry was in a mess long before a diligent meat inspector in the U.S. discovered horse and kangaroo meat in imports from "Down Under."

This sordid little affair—detailed recently in a Royal Commission report—made Australian primary industry a laughing stock around the world, but at least it obliged large cattle producers, processors and exporters to take a long hard look at themselves.

The A$1.8bn-a-year beef industry had become a haven for inefficiency, corruption and mismanagement.

More than 12 months have passed since the beef substitution fraud became public, and the industry has not yet agreed on a major plan for reform, partly this is because it is extremely conservative, and burdened even further by lack of accord between abattoir owners, exporters, and producers.

Many producers still hold the quaint view that the exporters are only interested in extracting as many dollars from the system as possible, and to hell with Australia's reputation as a reliable supplier of quality products.

The fraud only reinforced this view among many producers, who themselves have switched in and out of cattle in tune with fluctuations in price.

Yet only a few hundred tonnes of illegal meat was exported to the U.S., and the overwhelming majority of exporters are extremely mindful of the need to please overseas customers.

In the days following the scandal, the Federal Government in Canberra ordered a Royal Commission investigation of the fiasco to dampen down the headlines. The inquiry was carried out by Mr Justice Woodward.

His report was tabled before Parliament in September, but its real significance was lost in a bitter political row over the future of the Minister for Primary Industry, Mr Peter Nixon.

The Woodward report criticised Mr Nixon's response to allegations of corruption in the meat industry made to him by a former Government minister, Mr Bert Kelly, in early 1980—about 18 months before the substitution scandal became public.

What the Royal Commission report highlighted was the poor administration of the Australian meat industry by the various bureaucratic groups charged with this responsibility.

Mr Justice Woodward found that the Commonwealth Meat Inspection Service, which was and still is controlled by the Federal Department of Primary Industry, was riddled with petty corruption, the practice of paying bribes to Commonwealth meat inspectors having apparently become common.

What was worse, Federal police and senior officers of the Department of Primary Industry seemed unwilling or unable to eradicate the problem.

The U.S., which buys about half of Australia's beef exports each year, is clearly not satisfied with the slowness of Australia's efforts to punish those responsible for the malpractices.

More importantly, the U.S. is also extremely unhappy with Australia's present system of meat inspection at abattoirs.

The U.S.—like most Australian producers and exporters—wants a single national system where one body has control of all meat inspection and security. At present Australia has about 20 different meat inspection services.

The Federal Government, for its part, wants to form a single service, but some State governments, notably Queensland and Western Australia, are loath to give up their inspectorates, arguing that the Commonwealth service was largely responsible for the meat substitution racket in the first place.

Commonwealth inspectors are employed in large abattoirs registered for export, and often work alongside State inspectors who check carcases for the domestic market, this curious arrangement being typical of the inefficiency and fragmentation of control in the Australian meat industry.

Many producers are pressing for the creation of a "super body" to take complete charge of the meat industry and direct distribution and promotion both at home and abroad.

At present, promotion of meat is the responsibility of the Australian Meat and Livestock Corporation, a federal statutory authority which is funded by growers and processors but responsible to the Federal Government.

In turn, meat and livestock research is under the control of the CSIRO, Australia's major scientific body, which is also responsible to the Federal Government, while the domestic meat market, which consumes about half the national beef output, is largely in the hands of the State Governments and their departments of agriculture.

This tangle of responsibility, and the reliance of the Australian meat industry on export markets for survival, has created the present atmosphere of instability.

In the meantime, the number of cattle in Australia has jumped up and down. In the past six years, the cattle herd has declined from a peak of 33m to only 25m, the downturn being accompanied by the closure of scores of expensive abattoirs built to service a national herd of 30m-plus.

M.T-N

BEEF AND VEAL: ESTIMATES AND PROJECTIONS OF AUSTRALIAN SUPPLY AND UTILISATION

Item	Unit	1980	1981	1982‡	1983†	1984§	1985§	1986§
Numbers*	m	26.2	25.2	24.8	24.5	24.5	25.0	25.2
Slaughter	000	8.83	8.14	8.3	7.7	7.7	7.5	7.6
Production	kt	1,585	1,426	1,512	1,403	1,399	1,363	1,387
Consumption								
—total	kt	648	717	730	657	647	662	702
—per person	kg	44.4	48.3	48.4	43.0	41.7	42.1	44.0
Exports (shipped weight)								
—total	kt	566	459	515	495	495	460	465
—to the USA	kt	359	238	280	280	280	250	240

* At March 31. † Forecast. ‡ Estimated. § Projected.
Source: The Australian Bureau of Agricultural Economics.

Bright outlook despite drought

In Money Made Us, a perceptive study of the way economic values have shaped Australian society, author Donald Horne observed that the cult of the Merino, the sheep which forms about three-quarters of the Australian national flock, reached such heights between the two world wars "that the Merino ram *could seem the typical* Australian."

Personified by an animal with horns like a warrior's helmet, and rolls of fleece suspended from its neck like chains of office, wool became the supreme export cult. As a result, most Australians thought that wool's percentage of total exports was much greater than it was.

Today, the reverse is true, most Australians assuming that minerals now account for the vast bulk of the

Wool

country's exports, when in reality, farm goods—particularly wool, wheat and beef—still reign supreme.

Despite the drought that has ravaged the eastern Australian states, and despite the large number of sheep that have been slaughtered, the outlook for wool remains relatively bright — partly *because of the sophisticated* reserve price scheme and market support fund operated by the Australian Wool Corporation.

In broad terms, the Australian sheep flock of around 136m constitutes about 14 per cent of the world's sheep, but produces about a quarter of its wool requirements. In 1981-82, Australian wool exports were valued at A$1.92bn, while the estimate for 1982-83 is A$1.96bn, *against A$1.55bn for wheat* and flour, and A$1.54bn for meat.

Total wool production in the coming season is forecast at 702m kg, a reduction of 13.6m kg on the estimated *1981-82 level, while auction* prices in 1982-83 are expected to average between 440 cents a kg and 470 cents a kg clean — about 4 per cent higher than last season.

Over the first quarter of *the current season, prices* were near their respective floors, leading the AWC to increase its stocks from 509,300 bales at the end of the 1981-82 season to about 763,400 bales at October 7, a total expected to rise to more than 1m bales by Christmas.

According to the Bureau of Agricultural Economics: "Most wool textile manufacturers are very cautious about the future while the world economy remains sluggish. Even so, in the EEC, the industry as a whole is in a fairly good position to respond to any increase in final consumer demand, having continued production by processing wool to intermediate *stages. A similar position* exists in Japan."

Mr David Asimus, a Victorian grazier and chairman of the AWC, as well as chairman of the International Wool Secretariat, is keen to see the *wool industry* promoting itself more vigorously so as to capitalise on what is seen as a fundamental change in consumer attitudes—away from polyester, and other synthetics, and back to natural fibres.

"We've got to remember that wool is a fibre, not a commodity," he says at the AWC headquarters in Melbourne—adding that the U.S. market is the ripest for heavyweight consumer marketing. As a result, the IWS hopes to raise its advertising budget in the U.S. by perhaps 4 per cent a year in real terms over the next five years, for a five-year total of almost US$50m, in 1982 dollars.

Japan remains *Australia's* largest wool customer, taking nearly 24 per cent of the export total in 1981-82, more than double that of Russia, her second biggest customer.

Exports to the Asian region were unchanged last season, while those to the EEC and Eastern Europe fell slightly. Countries which imported larger quantities of Australian wool in 1981-82 included France (+18 per cent), Korea (+14 per cent), Taiwan (+ 9 per cent), the U.S. (+8 per cent) and Malaysia (+14 per cent).

Mr Asimus says that the AWC is fully prepared to buy at Australian wool sales in whatever quantities necessary to support the market—a determination made easier by the scale of the market support fund, which at June 30 stood at A$589m, a significant increase on the year-earlier balance of A$493m.

M. T-N.

The poorest harvest for a decade

AUSTRALIA'S grain boom, which began in the early 1970s, has come to a shuddering halt this season as farmers harvest their poorest crop for a decade.

Many drought-ravaged crops in New South Wales, Victoria and Queensland were fed to sheep and cattle in October, because all hope of producing grain had been crushed by cloudless skies and hot spring weather.

Indeed, some important grain regions in the eastern states are experiencing their worst wheat harvest since 1944, with the result that the national wheat *crop* is *unlikely* to *yield more* than 8.6m tonnes, according to the latest official forecasts.

The result would have been much worse if Western Australia had not chipped in with a record crop, which is expected to produce more than 5.5m tonnes.

In recent seasons, NSW and Western Australia have emerged as the country's principal what producers because both have significant areas suitable to dryland cropping.

The current poor harvest is a source of embarrassment to the Australian Wheat Board, the federal statutory authority which compulsorily acquires the national crop for resale on the home market and overseas.

The board has already asked the Federal Government for the legislative power to import grain if local production is unable to meet domestic requirements and satisfy overseas demand, Australia having long-term markets in Egypt, China, Japan and the USSR, which it wants to keep up at all costs.

Yet several years of drought has cut supplies of fodder, and livestock producers will rely heavily on wheat to feed their starving animals if the drought continues into next year.

The Wheat Board wants to have enough grain to cover the needs of local graziers, as well as maintain exports to key foreign markets.

Exports of wheat this year are likely to pass 13m tonnes, follow*ing a harvest of more than 16m* tonnes last season. The Australian wheat harvest begins in late October and usually continues into early January.

In recent years, wheat has become the glamour crop because bouyant world grain prices have encouraged many Australian sheep and cattle producers to sell their livestock and gamble on higher returns from cropping.

As a result, the area sown to wheat has almost doubled in the past 20 years, to an estimated 11.5m hectares this season, while wheat farming has become extremely mechanised.

Grain experts believe Australia's grain output will continue to rise — despite this year's

Grain

drought — and should reach 21m tonnes a year by 1990.

Harvests could be even higher if world prices and seasons are more favourable than those prevailing this year.

What is clear is that Australia has room to increase grain output because of the vast tracts of land still awaiting development. About 12m hectares suitable for cropping has not been touched by a plough, most of this land being in Queensland and Western Australia.

The Australian wheat industry has also been hampered to date by a lack of world-class varieties especially suited to the hot, dry environment.

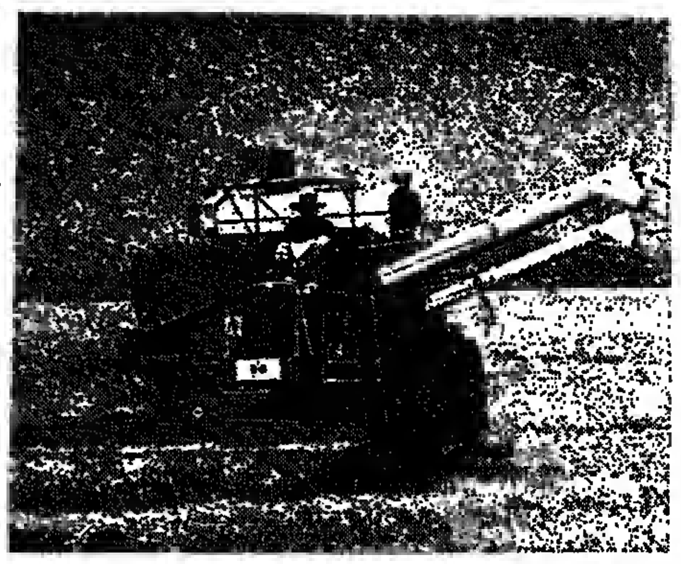
Wheat breeding in Australia is largely carried out by Government research stations which often lack both the money and the people to do the best job. Producers pay a levy of about 30 cents a tonne to wheat breeding research — an amount which most of them admit is far too low.

Luckily, Australia has gained the services of a few top breeders who have beaten all the odds by developing some top-class crop varieties, so that the big plainlands of Australia *—given good seasons—produce* top quality grain keenly sought by countries around the world.

The marketing of the crop is done by the Australian Wheat Board, which has a board dominated by growers. The board has been under attack for most of the past ten years because many producers believe it has lacked the commercial expertise to gain the best price for their grain.

The criticism has not been unwarranted, and the Wheat Board has in general become much more commercially minded in its dealings with grain buyers.

Michael Thompson-Noel



The area sown to wheat has been almost doubled in the last 20 years. Above: harvesting near Jogiong, New South Wales.

Model of an Australian country gentleman

TO ALL appearances Jim Maple-Brown is the very model of an Australian country gentleman. Living in grand style in a Victorian mansion with 30 rooms on his 7,500-acre sheep station (valued at around A$5m), he has like his ancestors before *him,* two enthusiasms—Merino sheep and polo.

As he guides a visitor gently past ancestral pictures (his family arrived in Australia "not as convicts" just three years after settlement began in 1788) into a Victorian study full of paintings and photographs of magnificent Merino sheep and polo teams of yesteryear, one is suddenly struck by a large modern object covered in plastic standing next to the old roll-top desk.

"I played the Duke (of Edinburgh) in 1950. He hit me under the chin and I've still got the scar to prove it," he says, removing the covering to reveal the very untraditional microcomputer that he hopes will drag Australian sheep breeding into the 20th century.

Strange as it may seem for a country that has for so long dominated the world wool market, Mr Maple-Brown believes that there has been *little or no genetic progress* in Merino sheep breeding since early in this century. While scientists have developed new kinds of fruit by cross-fertilisation and quadrupled wheat and rice yields, the yields and quality of wool have hardly improved at all, he says.

"The traditional method of selecting the heaviest cutters by eye and mistakenly confusing crimping with fineness has meant that we've made little genetic progress since 1910. In fact, breeders have been going round in circles."

Mr Maple-Brown says his microcomputer is, for him at least, putting a stop to all that. Simply put, by storing accurate measurements of clean fleece weight, average fibre diameter and live weight for each ram in his 12,500 flock, he can select above-average rams for breeding, thus improving the genetic strain of his flock.

Moreover, farmers or overseas buyers with different wool thickness or sheep weight requirements will be able to build up the kind of herds they want or make purchasing decisions scientifically.

Using these procedures in a complex formula linked to wool and sheep meat prices, Mr Maple-Brown says he has already been able to increase his overall returns substantially. Now he is trying to persuade sheep farmers and breeders across Australia to adopt the system he has pioneered.

Traditional farming

So far it has not proved an easy task. "We've had terrific resistance because Merino stud farmers have traditionally been the social leaders of the whole sheep-farming community. My system takes the mystique out of breeding and does away with the great stud ram.

"It means that any farmer can now breed his own sheep successfully, and the God-given breeders who have held sway for so long are no longer needed."

Mr Maple-Brown is concerned about the future of Australia's sheep industry. The total flock in 1970 was 180m sheep. Today, 12 years later, it is down to 134m. Breeding methods are archaic and even sheep-shearing is not as efficient as it could be. "To survive we'll have to turn out a better product at a cheaper cost," he says.

If he has his way the great curling horns which distinguish the Merino ram may soon be a thing of the past. To save on labour costs by removing the necessity of shearing horns he *is now using* his computer-*based* genetic selection methods to create a hornless breed of Merino ram.

It will be a slow process but it can and must be done without loss of wool weight or quality, he says.

In the not too distant future the Merino sheep might look even stranger. Scientists in Western Australia are now experimenting with a robot sheep-shearer. "If it's successful I'll be the first to use it," says Mr Maple-Brown. "But they may need me to breed the *wool* off the sensitive parts of the sheep first."

It is a prospect that would no doubt cause Jim Maple-Brown's ancestors to turn in their wool-lined *graves.*

M. T-N.

Mood of gloom settles on the bewildered Liberal-National coalition

Government faces tough problems

"LET THE contest begin" exclaimed one newspaper headline on October 6. Another, on October 19, said: "Polls sink Fraser's scheme for early election." On October 22 yet another hooted: "Canberra burns while Malcolm Fraser fiddles."

One day later a headline in a fourth newspaper proclaimed confidently: "Fraser draws 'safe' battle lines for poll."

Culled at random from a month's raucous shrieks from the Australian Press, these headlines capture something of the gloom that in recent weeks has settled on the ruling Liberal-National coalition Government. It is a Government that despite Mr Malcolm Fraser's leadership and political skills as Prime Minister now looks bewildered and disorientated.

In August, when the Government presented a budget that seemed to steer a fine course between what was called "the compelling necessity to maintain an anti-inflationary economic strategy" and electioneering give-aways, it was widely assumed that Mr Fraser was hoping for a snap general election later this year.

With the Australian economy deteriorating, company profits plunging, and the numbers of unemployed growing daily, it was assumed that Mr Fraser was keen to go to the polls before Christmas rather than sit out the natural life of the current Parliament until the end of next year, by which time the economy was unlikely to have recovered and the chances of a fourth Fraser ministry would have seemed well and truly dashed.

Such was the assumption. But the sands of political fortune have shifted to such an extent that—although a snap election is still a possibility—the Government is likely to choose to soldier on into 1983.

The Government is under pressure on two key fronts. First, the economy, with it a damaging controversy over the extent to which the Federal Budget of August 17 was or was not contrived with an early election in mind.

Second, the continuing nightmare — for the Government — of the tax-avoidance scandal delineated, with quietly stated force, in a a Royal Commission report by Mr Frank Costigan, QC. It was published in August and its repercussions, for the Liberal Party, are likely to be painful and lasting.

The Fraser Government has other problems, among them the charge that in the past six years three distinct U-turns in economic policy have helped to create a "resource boom" euphoria which is now completely dissipated.

There is also the success, earlier this year, of the Australian Labour Party leader, Mr Bill Hayden, in fighting off a leadership challenge from the party's spokesman on employment and industrial relations, Mr Bob Hawke, together with Mr Hayden's success, so far in orchestrating a skilful attack on the tax-avoidance issue and the complication of the state election in South Australia on November 6, in which economic issues were dominant.

But the Government's biggest headaches are without doubt the faltering economy and the run of damaging disclosures on the tax-avoidance front.

Political scene

There is a sense in which Mr Fraser, at least, has enhanced his personal standing by his determination — against stiff opposition from within the Liberal Party — to introduce retrospective legislation aimed at recouping an estimated A$450 (£250m) lost in tax revenues since January 1972.

But the revelations of Mr Costigan's Royal Commission will not go away, and Mr Hawden and the Labour Party are likely to return to them again and again in the run-up to an election.

Originally, the Royal Commission was set up to investigate allegations against the notorious Melbourne branch of the Australian Federated Ship Painters' and Dockers' Union. But as Mr Costigan delved deeper into the activities of the union — a process which unearthed an astonishnig tale of murder, mayhem and violence—his inquiries led him into the labrinth of tax avoidance and evasion in Australia.

So far the most damaging aspect of Mr Costigan's report, from the Government's point of view, has been the revelation of bureaucratic bungling and incompetence and the disclosure that failure by the Crown Solicitor's office, in 1975, to prosecute organisers of a tax avoidance scheme involving the stripping of companies of their pre-tax profits, had led to the spread of similar schemes throughout Australia. This sorry state of affairs has produced what Mr Costigan called a "major fraud" on the country's revenue.

The Prime Minister has insisted on the introduction of a retrospective tax Bill aimed at partly undoing the damage, while the Government has introduced legislation to establish a national crimes commission. It has also appointed a special prosecutor to handle allegations against the Ship Painters' and Dockers' Union.

But it will be a long time before the damage to Liberal Party morale is repaired—or before it hears the last of the ALP's taunts, among them, Mr Hayden's advice to Mr Fraser that he should "expel Liberal Party office-bearers" who had grown fat and wealthy on tax avoidance.

Last month, as the tax controversy got fully into its stride, the Government was struck by an equally damaging controversy over the forecasts and projections that had formed the basis of its Budget of August 17. On some counts, the Budget deficit for 1982-83 is now likely to swell to twice the A$1.67bn forecast in August, partly because of higher costs in unemployment benefit and drought relief.

Mr Hawke claimed in Parliament that the Budget of August 17 had been "rigged" with an approaching election in mind—a charge supported by the Australian Democrats — although the Federal Treasurer, Mr John Howard, who is also deputy leader of the Liberal Party, maintained there had been no attempt, by himself, the Treasury, or the Government, to "mislead or deceive" Parliament on Budget estimates.

Almost the only ray of hope for the Government last month was the return to the ministerial fold of Mr Andrew Peacock, 43, as a replacement for Sir Philip Lynch as Minister for Industry and Commerce.

In a political arena lacking genuine heavyweights, Mr Peacock's return to the Cabinet was seen as restoring at least some ballast to the Government front bench. But his return proved only a minor counterweight to the problems of the day.

But the volatility of Australian politics is such that in early October, when Mr Fraser's political problems appeared to be multiplying, the Liberal-National Party coalition was shown, in a Morgan Gallup poll published in The Bulletin magazine, as enjoying a popularity rating of 45 per cent, against 47 per cent for the ALP and 7 per cent for the Democrats.

This was the coalition's highest popularity rating since early last January, though it was clear that worries about unemployment were not yet influencing the voters at large. Even so, speculation about an early general election was stirred yet again.

Michael Thompson-Noel

Outback to academia -a Renaissance Aborigine

By even the most rigorous of standards, Eric Willmot is a most unusual man. Perhaps best described as the Aboriginal answer to the renaissance ideal, he would in any country be regarded among the highest of fliers.

Inventor, academic, administrator, company chairman and engineer, he moves with obvious assurance in both the world academic community and the world of international business. He is as much at home in the dusty Australian outback as he is in cosmopolitan Sydney, in "White" Australian society as well as "black." Some say it is only a matter of time before he joins a select band of Australian multi-millionaires.

As principal of the Institute of Aboriginal Studies in Canberra — an autonomous research body set up by the Australian Government—Eric Willmot has strong and sometimes unusual views about contemporary Oceanic society and the place of aboriginals within it.

"Australia, like New Zealand and the U.S. is a poly generic nation dominated by Europeans. The U.S. has been successful to a degree. New Zealand is rapidly failing—there is a net loss of 40,000 Europeans a year. Australia's future existence as an essentially grown-up British nation in the Pacific remains uncertain."

"White Australians have come to recognise the Antipodean brigadoon for the myth that it really is. Some 90 per cent of Australia has a rainfall of less than 10 inches a year—Americans would define this as desert. Even with their modern technology White Australians have been unable to tame the greater part of this country. The end of the Arcadian myth that Australia could be turned into a Pacific Britain is now sinking in."

It is partly this, argues Eric Willmot, that explains why 25,000 Aborigines over the past five years or so have been granted freehold rights to 27 per cent of the land area of the Northern Territories—an area more than one and a half times the size of Britain.

Over a period of 40,000 years Aborigines learnt to live with the extremes of desert and tropics. That they are now getting back vast tracts of it shows not only a partial admission of defeat by the settlers, but also that the Aborigines as a race didn't fail, he says.

Eric Willmot takes a fundamentally optimistic view of future relations between Aborigines and White Australia. "Persuading them to give up more land will not be an easy task. "Europeans here won't be pushed into the sea. Panting 'Go home White man' and engaging in violence won't work. They're tough bunnies. But we have discovered if you push them a bit in the right way, eventually you can get what you want."

Profile: ERIC WILMOT

This philosophy has stood him in good stead. Born just after the end of the Pacific War in the Queensland outback he received little formal primary education and spent his secondary school years working in the cattle industry. At the age of 18 all was to change because of a now seemingly fortuitous rodeo accident, when a "buck humper" landed him in hospital for 18 months. With nothing to do but read he took up studying, passed his school certificate and went on to university to graduate as an engineer.

It is his passion for mechanical engineering ("I'd like to see a computer chip pull a ski car up a mountain"), and his hero worship of an Aborigine called David Unlapon ("Australia's answer to Leonardo Da Vinci; he invented a mechanical sheep shearing handle, and took out patents on a design for a helicopter in 1906"). He is also responsible for the latest departure in Eric Willmot's life, and it's likely to be the one for which he is remembered best.

Three years ago Willmot designed a revolutionary new gear box which requires no gear changes; no clutch and involves a completely novel form of transferring motion. It is said to have literally hundreds of different applications, ranging from winches and conveyor belts, to bicycles, lawn mowers and motor cars. Last year it won the top award at the international exhibition of new technology at Geneva. The idea was apparently so novel that it took engineers more than 10 days to understand how it worked.

Not content with inventing it and handing the idea over to a large company to market and develop, Eric Willmot has now set up his own company (Cy Clo Transmissions) which in association with a number of other companies will develop and market its separate applications stage by stage.

He has already signed options with six companies, and is currently negotiating with 20 others (including Mazda, Renault and Yamaha). The first application to come on the market will be a series of yachting winches, which he claims will make existing ones obsolete.

With its peculiar ability to go into reverse at very high speed without stopping it is already being tested in an electric car, and early tests, Mr Willmot says show that in petrol fired engines it could produce a 25 per cent saving in fuel economy. If even half such claims turn out to be accurate, Mr Willmot seems destined to become the first aborigine millionaire.

Richard Cowper

STRONG WORDS FROM FEDERAL CPPOSITION LEADER

The art of the political insult

THE ART of the insult is deep-rooted in Australian political life, so that the business of government appears genuinely to flourish on inventive abuse and abrasively plain speaking.

In August, on the first day of the new Queensland Parliament, Labour member Mr Bob Gibbs moved that the government of Premier Johannes Bjelke-Petersen be sacked. A Liberal opponent, Mr Bob Moore, immediately replied: "I move that you shut your mouth."

Chief exponent of the art of the political insult is the Federal Opposition leader, Mr Bill Hayden, who in September, during the storm whipped up by the Costigan Royal Commission report on tax avoidance in Australia, described the Federal Treasurer, Mr John Howard, as a "cockroach pinned to the floor and running around in circles."

"If Al Capone were living in Perth to-day he would be a respectable multi-millionaire and a principal fund-raiser for the Liberal Party," he added. (The Crown Solicitor's office in Perth had figured prominently in the Costigan report.)

In October, as the controversy over Federal Government's plans to introduce retrospective tax legislation got fully into its stride, Mr Hayden said: "All the open, empty spaces in this country aren't in the outback. A lot of them are between the ears of ministers of the Fraser Government."

When unemployment soared past 500,000, Mr Hayden described the Government as "dishonest charlatans," and said it had "demeaned Australia just as it has bankrupted the trust and respect of the people."

Finally, when Parliament found itself deep in yet another controversy, this time over the accuracy or otherwise of the forecasts underpinning the Federal Budget of August 17, Mr Hayden—by then realising that his political cup was full and running over—exclaimed: "The government, contriving an early election, rigged the Budget in an outlandish way with what it now acknowledges were rubbery figures."

By now, Mr Fraser was clearly exasperated by Labour Party taunts, while Mr Howard—seeking to call Mr Hayden's hand—claimed that the opposition leader's remarks were "artificial, blatant and contrived."

This was not a particularly harsh rebuke, by Australian standards, but about as far as Mr Howard, who is deputy leader of the Liberal Party and regarded in many quarters as a future Prime Minister, usually cares to go.

Only the arrival, in mid-month, of the England Test cricketers could put a stop to the Canberra Floorshow. The arrival of the Poms, was a traditional signal, throughout the Australian media, for a sharpening of knives and a hurling of hatchets. But the halt was only temporary. Within 24 hours the rumour mill in Canberra was again grinding away at full speed and the insults were again flying freely.

M. T-N.

Despite the small numbers involved their rights have become a major domestic issue

Aborigines battle on with pride

AFTER ALMOST two centuries on the scrap beap of Auatralian society, Aborigines are now battling with pride, aod some success, to obtain what they regard as their rightful place uoder the Australian sun.

Today Aborigines make up less than 2 per cent of Australia's predominantly European settler population, but despite their small number Aboriginal rights have become a major issue in Australian domestic politics. Early last month the Queensland riot squad arrested more than 200 Aboriginals and their supporters who were demonstrating during the Brisbane Commonwealth Games to focus world attention on Aboriginal land rights claims.

At the time one of Australia's best known Aborigine civil rigbts leaders, Charlie Perkins, warned: "The surprising thing is that there has not been more violence in this country, more killings. We don't need that. Australia bas too much greed."

Often giving rise to strong emotions ranging from anger to belplessness, from racialism to a profound feeling of guilt, the Aboriginal rights question has even led to serious divisions between the country's richest state and the Federal Government. Queensland has raised the ire of Aborigines and Federal MPs alike for its racist attitudes aod its paternalistic foot-dragging over land rights.

Many White Anglo-Saxon Australians find it difficult to look back at the growth of their nation without being reminded of the inhuman treatment meted out by their ancestors to the country's original inbabitants.

In the words of Neville Bonner, the first and only Aborigine to become a Federal MP: "In early days we were a simple people—we saw no need for agriculture or industry. Less than 200 years ago came the White Man. My people were shot, poisoned, hanged, broken in spirit. They became refugees in their own land: but that is history and we take care now of the present."

When Captain James Cook landed in Botany Bay in 1770 the Australian cootinent was bome to upwards of 300,000 Aborigines. After little more than a century of White settlement disease, violence, and cultural disintegration bad reduced their number to 60,000, many believed that complete extinction was only a matter of time.

The early colonial bistory of Tasmania provides perbaps the most chilling tale of disease, rape, murder and abduction. When the first settlers arrived there in 1803 the inhabitants of Van Diemen's Land — as it waa then known — numbered perhaps 8,000 aod included an estimated 62 different tribes. They had lived there with little contact with the outside world for around 10,000 years.

Less than a century leter not a single full-blooded Aborigine remained alive on the island. It was a grueaome start to relations between some of Australia's oldest inhabitants and the white migrants whose descendants today rule modern Australia.

Aboriginal land rights

And until two decades ago Aborigines were hardly regarded as Australian citizens at all. They weren't ellowed to vole, they weren't included in the National Census, and they owned no land. In some areas states operated e system not dissimilar to that of apartheid. Aborigines were berded together on reserves and their freedom of movement was restricted.

Much of the apparatus of discrimination—though by no means ell—haa since been dismantled. In theory at least Aborigines now have the same aecess to social security beoefits, education, health facilities end bousing as other Australians.

The government has also moved a long way towards accepting the argument that Aborigines need positive discrimination in their favour if they are to overcome the serious disadvantages which they have faced for so long. This year Australia will spend around A$272m on special assistance to Aborigines throughout the country.

Both moderate and radical Aborigine leaders admit that there bave been some notable gains, but, they claim, the sums spent are still too small and often misdirected. More than 20 per cent of Aborigines bave never bad any formal eduction, and on nearly every statisical comparison it can be seen that Aboriginals still suffer more from disease and ill bealth than any other identifiable section of the Australia population.

"Five times more could and should bave been spent. Infant mortality, education and bealth are still all at unacceptable levels. It's all black money anyway . . . after all we are the original owners," says Charlie Perkina.

Infant mortality is approximately three times the national average with life expectancy at birth some 20 years less than the average Australian. Lack of education, training and skills means that Aboriginal unemployment is about six times the national everage.

Aboriginal land and population by State
(Areas in sq kms)

State	Aboriginal land	Area of land and per cent		Aboriginal population	Total population	Aborigin. proportio of total populatio (per cent)
NSW-AGT	273	804,000	(0.03)	36,190	5,464,400	0.66
Vic	20	227,600	(0.01)	9,057	3,948,600	0.15
Qld	30,070	1,727,200	(1.74)	44,698	2,345,300	1.91
SA	107,269	984,000	(10.90)	9,825	1,319,300	0.74
WA	218,788	2,525,000	(8.66)	31,351	1,299,100	2.41
Tas	1	67,800	(0.001)	2,688	427,300	0.63
NT	389,731	1,346,200	(28.95)	29,088	122,800	23.69
Total ...	746,152	7,682,300	(9.71)	159,897	14,926,800	1.07

In the 1981 census 159,897 people identified as Aboriginal or Torres Strait islanders, the latter numbering 15,232. About 40,000 of these are estimated to be of full Aboriginal descent. Note: The classification Aborigine is made on the basis of self-identification.
Source: 1981 National Census

But for many Aborigines—particularly the 40,000 or so pure-blooded inhabiteots who have never intermarried—these inequalities pale into insignificance at the mention of ooe magic word: land.

Of all the injustices it is dispossession of their traditional lands which is the loss they feel most keenly. Many Aborigines still have a social, religious and mystical affinity with their land which is fundamental to their identity.

Until half a decade ago there were virtually no Aboriginal land rights at all.

In the late 1960s and early 1970s e potent combination of White liberalism, and a growing militancy among Aboriginal Black activists turned land rights into a major political issue.

Labour Prime Minister Gough Whitlam appointed a Royal Commission and the result was the Federal Government's Aboriginal Land Rights (Northern Territory) Act of 1976. For the first time it allowed Aborigines (though ooly those from this one state which was then directly ruled from Canberra) to gain title to existing reserve land and to make claim to other lands on the basis of traditional ownership. For Aborigines—whose connection with the land could be said to go back perhaps 40,000 years—it was a major breakthrough.

Richard Cowper

The total will rise by 8 per cent this year

Number of new settlers well up this year

IN A world where more and more countries are tightening their immigration laws or closing their doors completely against foreign arrivals, Australia remains one of the few that still actively encourages immigration oo any scale.

For political refugees (notably Poles and Vietnamese boat people) and others dreaming of starting life anew in a "promised land," there is little doubt that Australia is one of the most preferred destinations.

True, like everywhere else, Australia has been hit by the world ecoomic recession and has this year begun a crackdown oo illegal immigrants as well as toughening up the eligibility criteria for independent settlers who do not have close relations already settled in the country.

The country is now suffering its worst unemployment since the 1930s, and in public the Government bas been quick to make political capital out of its "determination to free thousands of jobs" by eradicatiog 40,000 illegal workers.

It has also gone some way towards ensuring that new migrants do not compete with locals for existing jobs by refusing even to consider applicants who want to work in ereas where job demand and supply are deemed to be in balance.

These new policies seem unlikely to make a significant impact on unemployment figures, and—for the present at least—do not reflect any top-level decision to reduce overall immigration numbers. In fact, they may well be more than offset by a new policy of making it slightly easier for close relations of Australians to gain entry.

Immigration

Even with tougher entry requirements for so-called "independent migrants," immigration officiala say the number of settlers will be well up this year. In 1981-82, 119,000 immigrants errived in Australia. For 1982-83 officials say they are preparing for 129,000 or more—an increase of at least 8 per cent.

If the recession deepens furtber and Australian unemployment continues to worsen the political pressure to cut immigration numbers may prove irresistible, bowever. In the 1930s numbers fell drastically from an average of about 30,000 a year in the 1920s (wben immigrants from the UK were known as "New Cbums"), to an average of just 6,000 e year.

Now, the fact remains that Australia is still one of the most underpopulated countries on earth despite nearly two centuries of steady immigration. With e land area of approximately 3,000 sq miles (only sligbtly smaller thao the U.S.) its 15m population is nearty the same as that of New York City and its suburbs or Czechoslovakia.

Largely for reasons of defence and potential economies of scale, Canberra would like to see a much larger population.

The fundamental reasons for encouraging continued large-scale immigration are what they always were. In the words of Australia's first Immigration Minister, Arthur Calwell: "The vanguard of the bundreds of thousands, and ultimately the millions of new citizens who will belp to push back our frontiers, expand our industries . . . and build us into a powerful nation secure io our peace-loving laod."

The Government has no fixed long-term population target, but immigration officials say that about 20m people by the end of the century is the most commonly accepted objective. Natural population growth is currently running at just 0.8 per ceot a year. If 20m is to be reached, the average annual net immigration will bave to continue at more than 100,000 for the next 20 years.

However large the number of oew settlers Australia gives a home to over the next few decades the Antipodean continent will continue to remain a relatively young and developing country for some time to come. Australia is basically a nation of immigrants still in the making.

Since the end of the 1939-45 war well over 3m immigrants bave beeo admitted and this bas belped to lift the populatioo from around 7.5m then to 15m now. Since 1970 alone, almost 1.2m migrants arrived, and just 150,000 of them returned home.

Since 1900 the proportion of the population born in Australia bas hardly changed at all. In 1901 the total population was just 3.8m, of whom 860,000 (23 per cent) were born overseas. Today, of the popnlatioo of nearly 15m just over 3m (21 per cent) were born elsewhere. If parents born overseas are taken ioto account, the proportion goes up to nearly 35 per cent.

What bas changed, albeit slowly, is the ethnic origins and bomelands of the newcomers. At the turn of the century the ethnic origin of nearly 90 per cent of Australians was Britisb (then including Irisb). But today this proportion has fallen to around 75 per cent and is expected to decline further over the next few decades.

The latest census (1981) shows that of the 3m Australians born overseas 1.1m (38 per cent) were born in the UK or Eire; 683,000 (23 per cent) came from Southern Europe—mainly Italy—while 440,000 (15 per cent) came from northern Europe, mainly Germany and the Netherlands; 255,000 (9 per cent) arrived from Asia, and 177,000 (6 per cent) from New Zealand.

Culturally and politically, the white Anglo-Saxon majority still holds sway in Australia, but the ebandonment of the post-war racist "White Australia" policy has given rise to e much more varied population.

The country now provides a home for over 100 different ethnic groups. There are sizeable communities of Lebanese, Maltese, overseas Chinese, Vietnamese and Egyptians who with their different languages, cultures and foods bave introdnced a cosmopolitan etmosphere to some previously extremely dull and provincial Australian cities.

Immigrants from Asia were almost non-existent until the later 1960s, bnt in the last 15 years or so Australia has given e home to nearly 250,000 of them. Indeed, it has accepted about 65,000 refugees from Kampuchea and Vietnam—more per capita than any other country in the world.

One somewhat unusual source of immigration is a business run by a company in Perth, Western Australia, which offers men the opportunity of acquiring "mail-order" brides from the Philippines.

A more selective immigration policy for independent settlers is likely to attract a growing number of Asians as educational standards and skills in that part of the world improve.

But the bias in favour of close relations as immigrants and the overwhelming prepondarance of ethnic Europeans (90 per cent) in the existing population is likely to ensure that Australia remains predominantly white for the foreseeable future.

R. C.